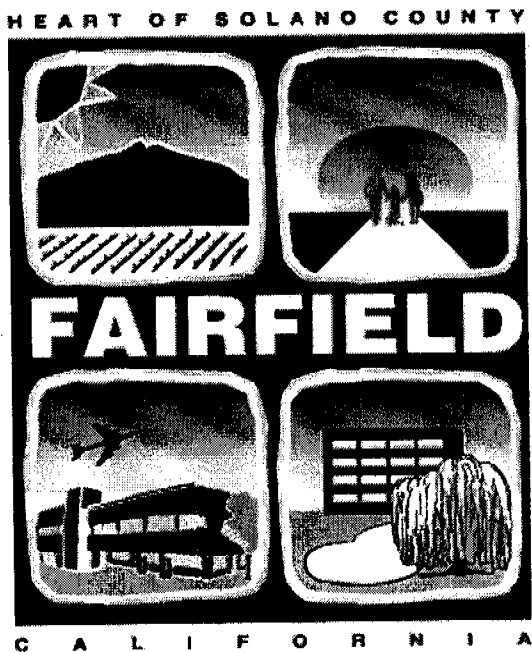


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City of Fairfield, California

Comprehensive Annual
Financial Report

For the Fiscal Year Ended
June 30, 2008

Comb Rpts.
1/15/09



CITY OF FAIRFIELD, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

City Council

Harry T. Price, Mayor
John Mraz, Vice-Mayor
Chuck Timm
Rick Vaccaro
Catherine Moy

City Clerk

Arletta K. Cortright

City Treasurer

Oscar G. Reyes, Jr.

Executive Staff

Sean Quinn, City Manager
Greg Stepanicich, City Attorney
Gene Cortright, Director of Public Works
John De Lorenzo, Director of Community Services
Barbara Dillon, Director of Human Resources
Vince Webster, Fire Chief
Kenton Rainey, Police Chief
Bob Leland, Director of Finance
Eve Somjen, Director of Community Development



City of Fairfield

Comprehensive Annual Financial Report

For the Year Ended June 30, 2008

Table of Contents

INTRODUCTORY SECTION (unaudited)

Table of Contents	i
City Manager and Finance Director's Letter of Transmittal	v
Certificate of Achievement for Excellence in Financial Reporting - GFOA	xii
Organization Chart	xiii
City of Fairfield Mission Statement and City Values	xiv
Municipal Officers	xv

FINANCIAL SECTION

Report of Independent Auditors	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities and Changes in Net Assets	18
Fund Financial Statements:	
Government Funds:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	28
General Fund: Statement of Revenues, Expenditures, and Changes in Fund balance - Budget and Actual	29
Low and Moderate Income Housing Major Special Revenue Fund:	
Statement of Revenues, Expenses, and Changes in Fund Balance - Budget to Actual	30
Proprietary Funds:	
Statement of Net Assets	32
Statement of Revenues, Expenditures and Changes in Net Assets	34
Statement of Cash Flows	36
Fiduciary Funds:	
Statement of Net Assets	42
Notes to the Basic Financial Statements	43

City of Fairfield

Comprehensive Annual Financial Report**For the Year Ended June 30, 2008****Table of Contents (continued)**

FINANCIAL SECTION, Continued**Required Supplementary Information:**

Public Employees Retirement System Schedule of Funding Progress	81
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Supplementary Information:**Non-Major Governmental Funds:**

Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	90

Internal Service Funds:

Combining Statement of Net Assets	94
Combining Statement of Revenues, Expenses and Changes in Net Assets	96
Combining Statement of Cash Flows	98

Governmental Funds by Fund Type:**General Fund:**

Balance Sheet	104
Statement of Revenues, Expenditures and Changes in Fund Balances	105

Special Revenue Funds

Combining Balance Sheet	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison	112

Debt Service Funds:

Combining Balance Sheet	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	121

Capital Projects Funds:

Combining Balance Sheet	124
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	125

Permanent Fund:

Balance Sheet	128
Statement of Revenues, Expenditures and Changes in Fund Balances	129

Agency Funds:

Combining Balance Sheet	132
Combining Statement of Changes in Assets and Liabilities	134

City of Fairfield

Comprehensive Annual Financial Report**For the Year Ended June 30, 2008****Table of Contents (continued)**

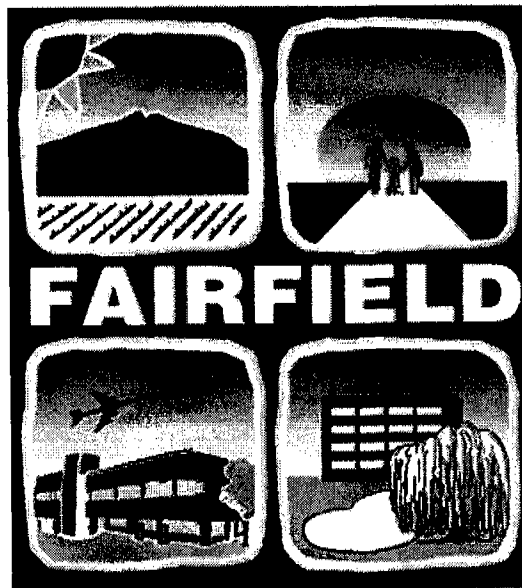
STATISTICAL SECTION (unaudited)

	<u>Table</u>	<u>Page</u>
Net Assets by Component (accrual basis of accounting)	1	142
Changes in Net Assets (accrual basis of accounting)	2	143
Governmental Activities Tax Revenues by Source	3	145
Fund Balances of Governmental Funds (accrual basis of accounting)	4	146
Changes in Fund Balances of Governmental Funds (accrual basis of accounting)	5	147
Assessed Value and Estimated Actual Value of Taxable Property (accrual basis of accounting)	6	148
Property Tax Rates - Direct and Overlapping Governments	7	149
Principal Taxpayers	8	150
Property Tax Levies and Collections	9	151
Ratio of Outstanding Debt by Type	10	152
Ratio of General Bonded Debt Outstanding	11	154
Direct and Overlapping Governmental Activities Debt	12	155
Legal Debt Margin Information	13	156
Pledged-Revenue Coverage	14	157
Demographic and Economic Statistics	15	160
Principal Employers - Current Year	16	161
Full-time Equivalent City Government Employees by Function	17	162
Operating Indicators by Function	18	163
Capital Asset Statistics by Function	19	164

SINGLE AUDIT

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	165
Schedule of Expenditures of Federal Awards	167
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	168
Summary of Audit Results and Findings	170

HEART OF SOLANO COUNTY



C A L I F O R N I A



CITY OF FAIRFIELD

Founded 1856

Incorporated December 12, 1903

November 14, 2008

Home of
Travis Air Force Base

COUNCIL

Mayor
Harry T. Price
707.428.7395

Vice-Mayor
John Mraz
707.429.6298

Councilmembers
707.429.6298

Chuck Timm
Catherine Moy

Rick Vaccaro

...

City Manager
Sean Quinn
707.428.7400

...

City Attorney
Greg Stepanich
707.428.7419

...

City Clerk
Arietta Cortright
707.428.7384

...

City Treasurer
Oscar G. Reyes, Jr.
707.428.7496

DEPARTMENTS

Community Services
707.428.7465

...

Finance
707.428.7496

...

Fire
707.428.7375

...

Human Resources
707.428.7394

...

Community
Development
707.428.7461

...

Police
707.428.7551

...

Public Works
707.428.7485

Honorable Mayor and City Council City of Fairfield, California

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Fairfield (the City) for the fiscal year ended June 30, 2008. State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants.

REPORTING MODEL

The CAFR is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the City's organizational chart and a list of municipal officers. The financial section includes management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information, as well as the auditor's report on the financial statements and schedules. The MD&A will provide additional information regarding management of the City's finances and should be read in conjunction with the transmittal letter. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in the single audit section of this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly represent the financial position and the results of operations of the various funds within the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all activities considered to be a part of, controlled by, and dependent on the City. Accordingly, this report includes the financial activities of the Fairfield Water Facilities Improvement District No. 1 (the Water Improvement District), the Fairfield Sewer Facilities Improvement District No. 1 (the Sewer Improvement District), the Fairfield Municipal Park Improvement District No. 1 (the Park Improvement District), the Fairfield Redevelopment Agency (the Agency), the Housing Authority of the City of Fairfield (the Housing Authority), the Fairfield Public Improvement Corporation (the Corporation), the Fairfield Public Financing Authority (the Financing Authority), the Fairfield Storm Drain Facilities Improvement District No. 1 (the Storm Drain Improvement District), and the Fairfield Community Facilities Districts (the Community Facilities Districts).

Fairfield is a general law city and operates under a Council-Manager form of government. The City provides a full range of municipal services, including police, fire, water, public transportation, streets and highways, housing assistance, cultural and recreation facilities, social services, golf course, public

works and parks, planning, redevelopment, economic development, and general administration. Sewer service is provided by agreement with the Fairfield-Suisun Sewer District, which operates and maintains interceptors and the treatment plant, while the City maintains local collector sewers.

CITY MANAGEMENT

Fairfield has benefited from stability of leadership and experience. Harry Price was elected Mayor in 2005 and has served on the City Council since 1997. Sean Quinn was appointed to City Manager in December 2007 and serves as the Executive Director of the Fairfield Redevelopment Agency and Housing Authority. Prior to becoming City Manager he served as the Director of Community Development for Fairfield since 1995. City Attorney Greg Stepanicich has served the City since 1997. The other members of the executive management team average 12.4 years of service with the City.

The City has developed a reputation for progressive and business-like management that in past years has earned it statewide and national recognition for its financial management and entrepreneurial orientation. Its leadership has stressed long-term planning and the ability to turn fiscal and other challenges into opportunities. The need for a businesslike outlook becomes ever more critical as other traditional sources of government revenues, such as state subvention and property tax allocations, are eliminated or curtailed. The City's long-term financial health is dependent on taking an active economic development role to create large and stable sources of revenue to provide a high level of service required by a growing community in an efficient and cost-effective manner.

There has long been a strong focus on sound management of the City's financial resources to permit flexibility and to preserve the City's good reputation in financial markets. In 1981 the Assembly Office of Research cited Fairfield as having maintained "a very healthy fiscal position" post-Proposition 13. In 1982 the *Wall Street Journal* stated in a feature article on the City: "Perhaps no city, though, has been as enterprising as Fairfield." The *New York Times* in 1987 called Fairfield "one of the first and most aggressive practitioners of government entrepreneurship." The California Taxpayers Association calls Fairfield's financial system "a pioneering method of government budgeting founded on incentives." This budgeting system won former long-time City Manager B. Gale Wilson the Outstanding Management Innovation Award in 1980 from the International City Management Association. Fairfield was awarded the prestigious Helen Putnam Award for Excellence by the League of California Cities for its assistance to the neighboring city of Rio Vista during that city's financial crisis in the spring of 1987. The City was cited extensively in the 1992 best-selling book "Reinventing Government."

CITY ACCOMPLISHMENTS AND INITIATIVES

The Council adopted the following priorities in January 2007 at the annual goal-setting session. Here is the progress made on each item during the past year:

1. Continue to Improve Public Safety - The goal was to decrease violent crime in 2007 and make Fairfield a safer community. This was to be accomplished through better deployment of officers, collecting and reviewing crime data.

Accomplishments - The Police Department has implemented the philosophy of Community Oriented Policing and Problem Solving (COPPS) that addresses crime through problem-solving tactics and community-police partnerships. In support of the COPPS philosophy, the Police Department implemented a new Public Service Area (PSA) geographical team policing structure. Under this structure the city has been divided into five PSA's and each is led by a Lieutenant. Together with the members of their PSA team, the Lieutenant is responsible and accountable to provide continuous service to their PSA's by addressing issues of crime and social disorder. Council also implemented the Community Safety Ordinance that provides an additional enforcement tool to reduce public nuisance activity on real property. The approved Ordinance provides administrative and civil remedies against property owners who permit, allow, or fail to prevent ongoing criminal or nuisance activities that occur on their properties.

2. Youth Development - The goal was to partner with Community Services and local non-profit agencies to provide after-school programs and activities to engage the community in positive activities, particularly in high-risk areas.

Accomplishments – Council proposed and started a Police Activities League (PAL) to offer education, athletics, and other recreational activities for Fairfield's youth in the 7th – 12th grades. These activities will help develop discipline, positive self-image, mutual trust and respect to create a positive bond between police officers and at-risk youth. In addition, the Fairfield Community Services Foundation's mobile recreation program known as "Fun on the Run" continued to bring quality recreation programs to kids in underserved areas who cannot afford to take advantage of after school fee-based programs. The activities include sports, arts & crafts, and team building. Moreover, the Community Services Department continued to offer its award winning The Place To Be After Three program providing: peer tutors and teachers, mentorship opportunities, life skills, sports, health, fitness, dance and poetry programs.

3. Continuing Economic Development - The goals were to continue support of current programs, maintain the long-term strategy of attracting businesses with top quality jobs, and to develop a marketing campaign promoting the City as "pro-business."

Accomplishments - Staff facilitated the complex deals necessary to bring businesses with high quality jobs to Fairfield. A Mercedes Benz dealership has agreed to join the Auto Mall. Staff assisted in the 20-acre land deal for NorthBay Healthcare to expand into Green Valley Corporate Park. In 2007, NorthBay broke ground on its administrative center and also has future plans for a hospital on this property. Staff also assisted CalBee executives in moving their manufacturing plant from Sebastopol to Fairfield, and moving their headquarters from Torrance to Fairfield. The move was much publicized, with articles appearing in Site Selection Magazine, Kiplinger California Letter, East Bay Business Times, Yahoo! News, Forbes online, and many more sources. In addition, a new Community Facilities District (CFD) was created to assist with financing developer Garaventa's share of proposed traffic and infrastructure improvements for the Northern Connector major arterial roadway. As a part of this project, Garaventa will build residential and commercial developments.

4. Dealing with Finances and Projected Deficit - The goal was to bring the General Fund budget back into balance through expense reductions while maintaining a minimum 5% General Fund reserve, minimizing layoffs and reductions in service levels.

Accomplishments - Staff developed a Downsizing Plan to reduce annual City expenses by \$7.2 million (a 9% reduction in General Fund expense), given the existing imbalance between revenues and expenses, the recent downturn in the economy and the loss of Measure Q income. As a result, 45 positions were eliminated, but only three resulted in actual layoffs. Staff implemented a new Human Resources Information System (HRIS) which allows the City to track and report data on the City's workforce. In addition, staff coordinated a property appraisal project with City departments to appraise approximately 170 City structures for insurance coverage.

ECONOMIC CONDITION AND OUTLOOK

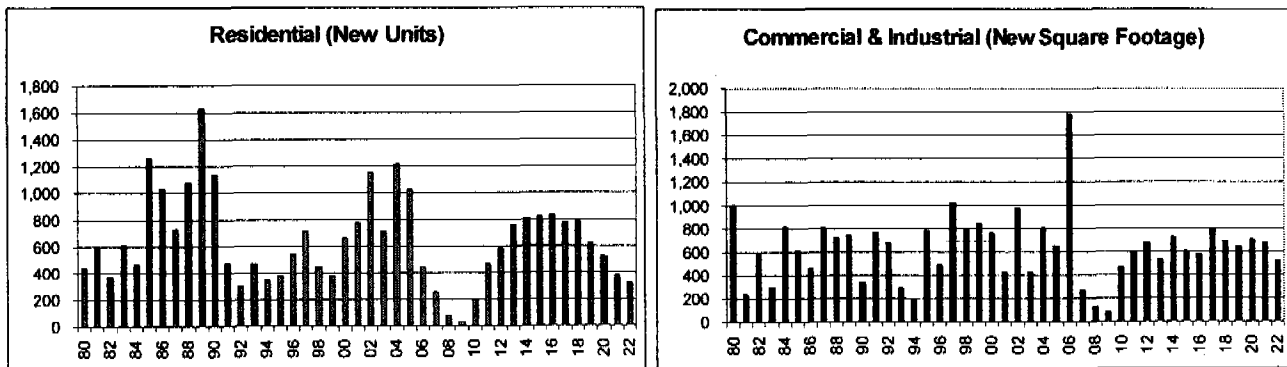
General Economic Overview

As of October 2008 the national economy has lost 1.2 million jobs since the beginning of 2008 and unemployment is 6.5%. Annual inflation growth has averaged 4.6% since January. A record 9% of mortgages are either past due or in foreclosure, and global credit markets are in turmoil. Most economists believe the US is currently in a recession.

The State of California passed a \$103.4 billion general fund state budget, after a record 85 day delay. The revenue assumptions in that budget assumed economic growth would improve late this year or in the first half of 2009. The adopted budget cut \$2.5 million from Fairfield's Redevelopment Agency, which will affect economic development projects. Now, the State budget is facing another \$28 billion deficit over the next 20 months and the Governor has called a special session to deal with the budget crisis; more State takeaways of local funding may result.

The local economy presents numerous problems affecting the City. Fairfield's unemployment rate is 8.0%. Sales tax revenues have declined for eight consecutive quarters through the 2nd Quarter 2008. Retail sales have been

falling nationally and locally resulting in recent store closures, including automobiles that present a large share of City revenues. According to the sales tax auditing firm HdL, "elected officials should be forewarned that a recovery in FY2009/10 sales tax revenues is unlikely." Property taxes have declined \$600,000 from earlier revenue estimates and Solano County warns that additional parcels will be reassessed at lower levels next year. The Vallejo-Fairfield area is the 4th highest in the nation in the rate of foreclosures, and the median home price dropped 28% in September. As a result, property sales of foreclosed properties have increased but are locking in low values and resetting lower market values for other properties. Commercial development has been slow and new residential development has been virtually non-existent, with only 26 housing units approved over the last twelve months (the historic annual average has been over 700 units). The charts below illustrate historical and forecasted local new development.



Local Growth Projections

The Association of Bay Area Governments (ABAG) periodically prepares a report that forecasts growth throughout the nine-county San Francisco Bay Area. The following tables are projections from ABAG's *Projections 2007* that show Solano County is the fastest-growing county in the nine-county Bay Area in terms of population and households, ranks second in employed residents, remains highly competitive in total jobs, and that Fairfield is the fastest-growing city in the county. Recent economic events have affected all cities. However, Fairfield is still poised to be a high growth area. ABAG projects Fairfield will reach 129,700 in population by the year 2020. The following charts compare actual and projected population and employment levels from 2005 to 2020 from ABAG's report.

DEMOGRAPHIC CHANGE IN BAY AREA: 2005-2020							
Population		Households		Total Jobs		Employed Residents	
Solano	22%	Solano	21%	Santa Clara	36%	Santa Clara	45%
Santa Clara	18%	Santa Clara	18%	Sonoma	35%	Solano	34%
Contra Costa	13%	Contra Costa	16%	Contra Costa	35%	Contra Costa	26%
Alameda	13%	Sonoma	14%	San Mateo	35%	Alameda	25%
Sonoma	12%	Napa	13%	Solano	34%	San Mateo	25%
Napa	11%	Alameda	13%	Alameda	33%	Napa	14%
San Mateo	11%	San Mateo	11%	San Francisco	33%	Marin	14%
San Francisco	8%	San Francisco	8%	Napa	27%	San Francisco	9%
Marin	7%	Marin	7%	Marin	14%	Sonoma	7%

DEMOGRAPHIC CHANGE IN SOLANO COUNTY: 2005-2020

Population		Households		Total Jobs		Employed Residents	
Fairfield	23,700	Fairfield	7,370	Fairfield	12,520	Fairfield	17,820
Vallejo	22,100	Vallejo	6,990	Vallejo	8,310	Vallejo	17,040
Vacaville	20,500	Vacaville	6,690	Vacaville	7,940	Vacaville	15,140
Rio Vista	9,000	Rio Vista	3,620	Benicia	2,810	Rio Vista	4,800
Dixon	6,200	Dixon	1,870	Rio Vista	1,770	Dixon	4,360
Suisun City	5,300	Suisun City	1,430	Dixon	1,590	Suisun City	4,130
Benicia	2,200	Benicia	660	Suisun City	1,370	Benicia	2,850
Remainder	4,300	Remainder	1,380	Remainder	980	Remainder	960

FINANCIAL INFORMATION

Internal Controls

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Finance staff of the City. In management's opinion, the City's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions. Also, the results of the City's single audit for the fiscal year ended June 30, 2008, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects funds. Budgetary control is maintained at the department level for administrative and operating expenditures and at the project budget level for capital improvements. For the administrative and operating budgets, the line-item budget authority is delegated to department managers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. The integration of the financial activities of the various agencies is accomplished through the budget process, pooling of cash for investments, centralized cash receipting, cash disbursement and purchasing and the preparation of audited financial statements. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management

The cash and investments of both the City and its affiliated agencies are managed on a pooled basis. The average investment portfolio was \$249 million in fiscal year 2007/08. Investments consisted primarily of short-term certificates of deposit, commercial paper, U.S. Government and U.S. Government Agency Securities, corporate notes, repurchase agreements and the Local Agency Investment Fund (LAIF) managed by the Treasurer of the State of California. These investments are allowed under an investment policy adopted by the

City Council, which defines eligible investments and maturities of the City's investment portfolio, and requires securities to be held by the City or by a qualified custodial institution and registered in the name of the City. The annualized return on pooled investments in 2007/08 was 4.39%, the average maturity was 1.60 years, and total interest earned was \$10,931,000. Approximately \$163 million in market value of the portfolio is managed by outside investment managers with the remaining balance of the portfolio managed by the City.

Risk Management

The City is self-insured for the first \$500,000 of general liability and first \$750,000 of workers' compensation claims. Reserves are accumulated within the City's insurance funds to meet potential losses. As protection against catastrophic loss, the City obtains commercial insurance for property claims. Excess loss coverage through the California Joint Powers Risk Management Authority (CJPRMA), a joint exercise of powers agency, provides up to \$39,500,000 for excess general liability coverage. The Fairfield Housing Authority is insured through the Housing Authority's Risk Retention Pool (HARRP). Finally, the City purchases excess workers' compensation insurance (up to \$300,000,000 per occurrence) from governmental joint powers authority.

Appropriations Limit

Proposition 4, the "Gann" initiative, was passed by California voters in 1978 and is intended to limit government appropriations. The appropriations limit is calculated each year based upon fiscal year 1978/79 appropriations, which are modified by the composite consumer price index and population changes which have occurred in subsequent years. The City's appropriations limit and the estimated appropriations subject to limit for fiscal year 2007/08 amounted to \$161,063,000 and \$47,418,000, respectively. City appropriations subject to the limit have consistently remained 40% or less of the limit itself, and are not expected to deviate from this trend in the foreseeable future. The Redevelopment Agency and Housing Authority appropriations are not subject to the above limitations.

INDEPENDENT AUDIT AND FINANCIAL REPORTING AWARDS

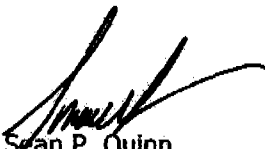
Caporicci & Larson, CPA's, an independent public accounting firm have examined the financial statements of the City and its affiliated agencies. Their opinion on the City's financial statements and supplemental information is included within this report.

- **GFOA Certificate of Achievement Award** — The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairfield for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007, marking the 20th time Fairfield has received this award in the past 21 years. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.
- **CSMFO Certificate of Award for Outstanding Financial Reporting** — The California Society of Municipal Finance Officers (CSMFO) has awarded a Certificate for Outstanding Financial Reporting to the City of Fairfield for 19 consecutive years, ending June 30, 2005. As of July 1, 2005 CSMFO discontinued the award program for any agency that participates in the GFOA certification program.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of all the employees of the Fairfield Finance Department. We would like to express our special appreciation to the team that worked hundreds of hours between them to prepare this document, headed by Accounting Officer Arvinda Krishnan, with Principal Accountant Michael Less, Senior Accountants Norman Veloso, Joann Alcorido, and Myles Dixon, and with Finance Technician Dave Benson. Special assistance was also provided by Chief Information Officer Steve Garrison, Management Analyst Martin Koran, Revenue Officer Geri Martin, Financial Services Supervisor Wade Brown, and City Treasurer Oscar G. Reyes, Jr. We would also like to thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Sean P. Quinn
City Manager



Robert C. Leland
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairfield
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



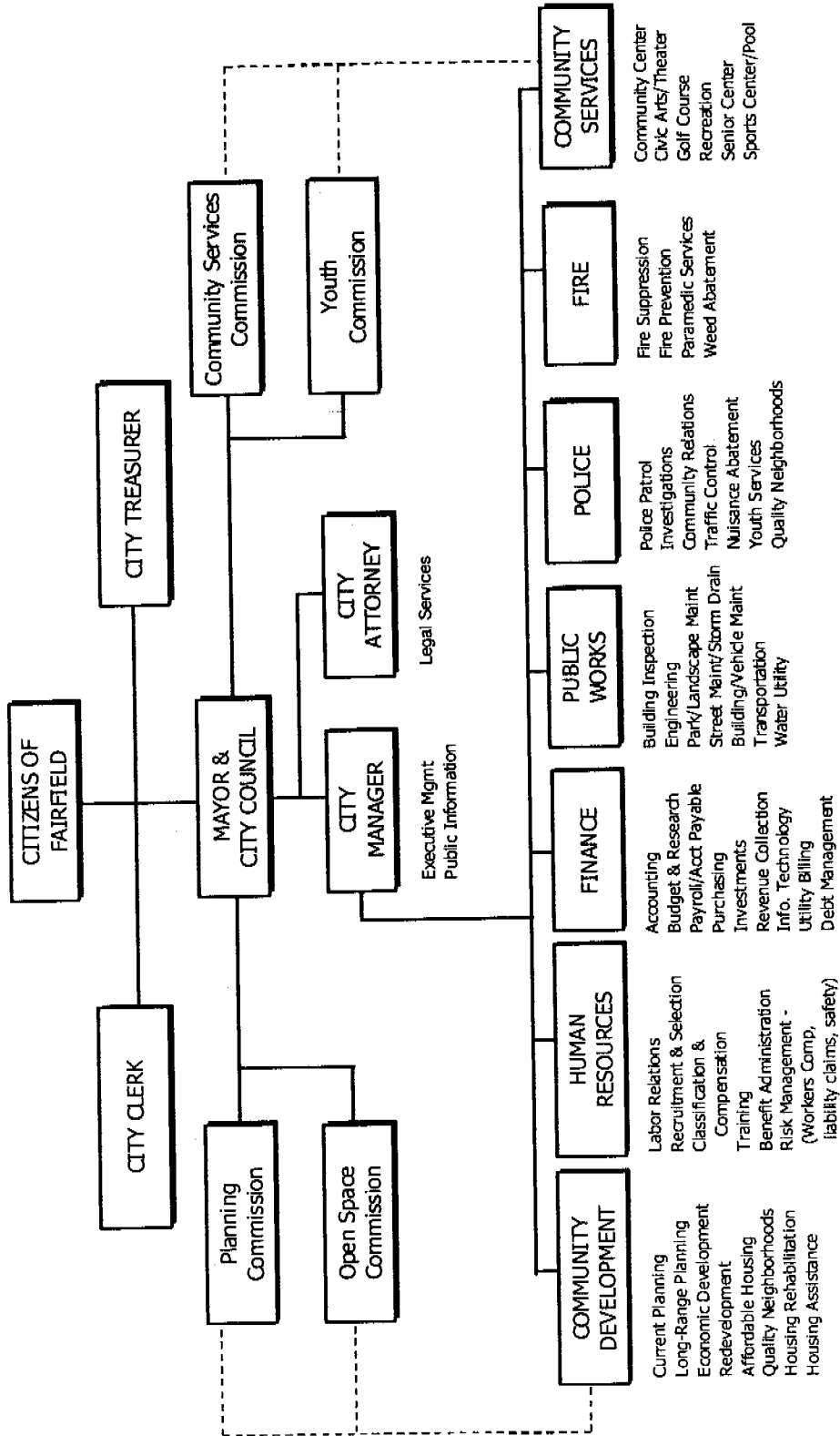
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF FAIRFIELD ORGANIZATION CHART



MISSION STATEMENT

We are committed to responding to the changing needs of our community, to providing superior quality public service, and to creating a distinctive place to live through innovation, professionalism and efficient use of resources.

CITY VALUES

WE VALUE TRUST

- We are committed to uncompromised honesty and integrity in all our actions.
- We believe our actions should be reliable, dependable, and consistent.
- We want teamwork and a spirit of cooperative effort.
- We strive for a record of honesty, fairness and approachability.

WE VALUE QUALITY

- We strive for excellence, professionalism and pride in everything we do.
- We believe in providing the best quality of service and facilities.
- We expect quality from employees, vendors and contractors.

WE VALUE INNOVATION

- We have a bias for action and support reasonable risk-taking
- We strive to recognize and take advantage of any opportunity that arises.
- We encourage fiscal innovation that creates new revenue sources.
- We accept that innovators have their share of failures.

WE VALUE THE WORTH OF THE INDIVIDUAL

- We respect individuals and are sensitive to their needs.
- We are committed to fair treatment of people.
- We seek ideas and participation from all levels.
- We encourage individual initiative and acceptance of responsibility.

WE VALUE EFFECTIVE SERVICE

- We believe in timely, efficient and effective public service.
- We set trends and provide leadership in municipal services.
- We conduct sound and prudent financial operations.
- We take pride in conserving public resources.
- We place a high value on cooperation with other public and private entities but will not sacrifice the best interest of the citizens of Fairfield.

WE VALUE FUTURE ORIENTATION

- We want to make decisions that will endure the test of time.
- We want to control our own destiny.
- We will foster economic success in the private sector and develop new resources in the public sector.
- We will promote the City's financial security and independence.
- We strive for economic development, employment, housing diversification, cultural and leisure opportunities
- We want to build a place you would like to live in.

MUNICIPAL OFFICERS

CITY COUNCIL (Elected)

Term Expires

Harry T. Price - Mayor	Nov 3 2009
John Mraz - Vice Mayor	Nov 3 2009
Chuck Timm	Nov 3 2011
Rick Vaccaro	Nov 3 2011
Catherine Moy	Nov 3 2009

REDEVELOPMENT AGENCY (Council Members)

HOUSING AUTHORITY

(Council plus 2 public members)

Carmen M. Aguilar	Jun 30 2009
Mary Williams	Jul 15 2011

(Council/Agency meets 1st and 3rd Tuesday, 7:00 p.m.)

Council Chambers, Civic Center)

(Housing Authority meets as needed)

PLANNING COMMISSION (Appointed)

Gary E. Laski, Chair	Jun 30 2008
George Curry - Vice Chair	Jun 30 2009
Gupreet Dhugga	Jun 30 2008
Andre Gardner	Jun 30 2009
Raymond Reyff	Jun 30 2011
Gian Aggarwal	Jun 30 2010
Charles B. Wood	Jun 30 2011

COMMUNITY SERVICES COMMISSION (Appointed)

Jesse Branch, Chair	Dec 31 2008
Clyde Jones, Sr., Vice-Chair	Dec 31 2009
Joseph Cherry	Dec 31 2009
Maggie Halls	Dec 31 2009
Sharon Wellins	Dec 31 2008
Muffy Jordan	Dec 31 2010
Peter Gaudet	Dec 31 2008

YOUTH COMMISSION (Appointed)

Meets 1st Sunday & 3rd Monday, 7:00 p.m.

Council Chamber - Civic Center

Andrew Crutchfield, Chair

Asia Gardner, Vice Chair

Brady Baldwin

Madison Hughes

Kathleen Modrich

Jena Pruitt

Carlos Arguello-Maya

Alexandria Whitmore

Lorenzo Andrade

Kristen Parkinson

Lisa Zacarias

Janae Felder

Kausik Mishra

Natalie Panicia

Nicole Terrell

Denise Martinez

CITY CLERK (Elected)

Arletta Cortright

Nov 4 2011

CITY TREASURER (Elected)

Oscar G. Reyes, Jr.

Nov 4 2011

APPOINTED OFFICIALS

City Manager

City Attorney

Sean Quinn
Greg Stepanich

DEPARTMENT HEADS

Director of Community Development

Director of Finance

Director of Public Works

Police Chief

Fire Chief

Director of Community Services

Director of Human Resources

Eve Somjen
Bob Leland
Gene Cortright
Kenton Rainey
Vince Webster
John DeLorenzo
Barbara Dillon

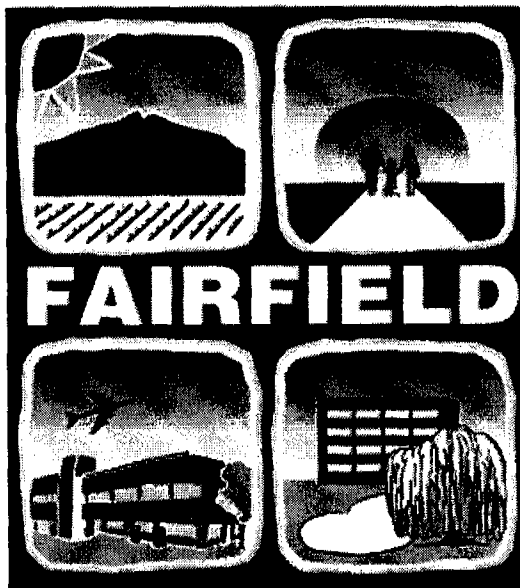
OTHER EXECUTIVE STAFF

Assistant City Manager

Vacant

Address: 1000 Webster Street
Fairfield, CA 94533-4883

HEART OF SOLANO COUNTY



C A L I F O R N I A

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statements date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund and the Low and Moderate Income Housing Major Special Revenue Fund for the year then ended in conformity with generally accepted accounting principles in the United States.

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Sacramento
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Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California
Page 2

As described in Note 1 to the basic financial statements, the City adopted the following Statements of the Governmental Accounting Standards Board:

- No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*
- No. 48 - *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and other information as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the Introductory and Statistical Sections.

Capricci & Carson

Oakland, California
November 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2008

This discussion and analysis of the City of Fairfield's (City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

A. FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$535.9 million. Of this amount, \$72.3 million may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$159.1 million. Approximately 13.3% of the combined fund balance, \$21.1 million, is considered unreserved and is available for spending at the City's discretion.
- The City's total debt increased by \$104.2 million during the current fiscal year. The increase is primarily attributable to the net result of incurred or issued debt and debt payments.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consists of three parts: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements presented herein include all of the activities of the City and its component units using the integrated approach as prescribed by GASB Statement No. 34.

Government-Wide Financial Statements

The Government-Wide Statements provide readers with a broad view of the City's finances, using the economic resources measurement focus and accrual basis of accounting. These accounting methods are similar to those used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about all assets (including infrastructure) as well as all liabilities (including long-term debt) of the City. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

In these statements, City activities are separated into two categories:

- **Governmental activities**—Most of the City's basic services are reported in this category, including administration, human resources, finance, police, fire, public works, community development, community services, and redevelopment. Property and sales taxes, user fees, interest income, franchise fees, along with state and federal grants are among the revenues that finance these activities.

- **Business-type activities**—The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water distribution system, water treatment plants, golf courses, transit services, and senior housing program are reported as business-type activities.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law or bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to demonstrate it is meeting legal responsibilities for using certain taxes, grants or other money that is restricted in its use. Fund Financial Statements provide detailed information about the most significant funds, not the City as a whole.

The City has three types of funds:

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, using the current financial resources measurement focus and modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds are used to account for essentially the same functions reported as "governmental activities" in the Government-Wide Financial Statements. However, unlike the Government-Wide Statements, Governmental Funds Financial Statements focus on *current* financial resources. The focus is on how spendable money flows into and out of those funds, and the balances left at year-end, which are available for spending. The information derived from the governmental funds help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

To better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Funds Statements with the governmental activities in the Government-Wide Financial Statements. Reconciliation of these statements is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

- **Proprietary funds**—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way in which all activities are reported under the Government-Wide Financial Statements, using the accrual basis of accounting. The City's proprietary funds are actually the same as "business-type activities" reported in the government-wide statements but provide more detail and additional information, such as cash flow statements. The City uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's central stores, automotive services, communication services as well as its self-insurance, public buildings, and loan funds. The internal service funds are reported with "governmental activities" in the Government-Wide Financial Statements.
- **Fiduciary funds**—The City is the trustee, or *fiduciary*, for certain funds held on behalf of a variety of third parties. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in both the Government-Wide Statements and Fund Financial Statements. The notes to the financial statements can be found on pages 43-79 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's progress in funding its obligation to provide pension benefits to its employees and is presented on page 81. The budgetary comparison schedules for the general fund and each major special revenue fund can be found on pages 29-30 in the fund financial section of the report. Additional information regarding the combining statements for all non-major and internal service funds can be found on pages 86-99.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined Net Assets (in millions) for the fiscal year ended June 30, 2008, totaled \$535.9 million. (The detail may not add due to rounding.)

Summary of Net Assets
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 370.4	\$ 340.3	\$ 123.0	\$ 54.8	\$ 493.4	\$ 395.1
Capital Assets	235.5	230.7	168.8	124.7	404.3	355.4
Total Assets	605.9	571.0	291.8	179.5	897.7	750.5
Long-term liabilities outstanding	183.5	159.4	141.1	61.0	324.6	220.4
Other liabilities	9.9	8.1	27.3	23.3	37.2	31.4
Total liabilities	193.4	167.5	168.4	84.3	361.8	251.8
Net Assets:						
Invested in capital assets, net of related debt	144.4	130.3	85.9	70.2	230.3	200.5
Restricted	233.3	194.8	-	-	233.3	194.8
Unrestricted	34.8	78.5	37.5	24.9	72.3	103.4
Total Net Assets	\$ 412.5	\$ 403.6	\$ 123.4	\$ 95.1	\$ 535.9	\$ 498.7

The restricted net assets represent 44% of the total net assets and are subject to external restrictions. The increase of \$38.5 million in restricted net assets is due mainly to an increase in the reserves for capital projects and debt service funds. The restricted money will be available for future spending but only for specific projects around the City.

The balance of unrestricted net assets, which represents 13% of the total net assets, may be used to meet the government's ongoing obligations to citizens and creditors. During the current fiscal year the City's net assets increased by \$37.2 million. The increase to net assets is attributable to additional purchases and donations of capital assets.

Management's Discussion and Analysis, continued
For the Year Ended June 30, 2008

A Statement of Activities and Changes in Net Assets, as of June 30, 2008, is presented below.

Statement of Activities and Changes in Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 8.6	\$ 8.1	\$ 43.7	\$ 44.3	\$ 52.3	\$ 52.4
Operating grants and contributions	17.1	19.0	12.3	9.4	29.4	28.4
Capital grants and contributions	17.2	13.6	4.4	2.3	21.6	15.9
General revenues:						
Taxes:						
Property taxes	51.2	49.1			51.2	49.1
Other taxes	28.3	30.6			28.3	30.6
Grants and contributions not restricted to specific programs	8.8	8.6			8.8	8.6
Investment earnings	14.5	11.9	5.2	3.0	19.7	14.9
Miscellaneous	3.3	5.8			3.3	5.8
Total revenues	149.0	146.7	65.6	59.0	214.6	205.7
Expenses:						
Administration	2.7	2.5			2.7	2.5
Human Resources	0.8	0.8			0.8	0.8
Finance	3.2	3.0			3.2	3.0
Police	34.1	29.1			34.1	29.1
Fire	16.0	14.2			16.0	14.2
Public Works	30.1	32.7			30.1	32.7
Community Development	9.1	9.5			9.1	9.5
Community Services	10.4	8.2			10.4	8.2
Redevelopment	15.2	15.9			15.2	15.9
Interest on long term debt	5.1	5.7			5.1	5.7
Water Utility			25.5	23.5	25.5	23.5
North Bay Treatment Plant			7.4	6.9	7.4	6.9
Transportation			10.0	8.9	10.0	8.9
Golf Courses			6.9	7.2	6.9	7.2
Housing Programs			0.7	0.7	0.7	0.7
Fairfield Training Center			0.2	-	0.2	0.0
Total expenses	126.7	121.6	50.7	47.2	177.4	168.8
Increase in net assets before transfers	22.3	25.1	14.9	11.8	37.2	36.9
Transfers	(13.4)	(0.2)	13.4	0.2	-	-
Increase (decrease) in net assets	8.9	24.9	28.3	12.0	37.2	36.9
Net assets July 1	403.6	378.7	95.1	83.1	498.7	461.8
Net assets June 30	\$ 412.5	\$ 403.6	\$ 123.4	\$ 95.1	\$ 535.9	\$ 498.7

Governmental Activities

The cost of all governmental activities this year was \$126.7 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$83.8 million because some of the cost was paid by those who directly benefited from the programs (\$8.6 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$17.1 million), and capital grants and contributions (\$17.2 million). Overall, these governmental program revenues totaled \$42.9 million. The City paid for the remaining "public benefit" portion of governmental activities with \$79.5 million in taxes (some of which could only be used for certain programs) and \$26.6 million with other revenues, such as interest and general entitlements.

Total resources available during the year to finance governmental operations were \$539.2 million consisting of Net Assets at July 1, 2007, of \$403.6 million, program revenues of \$42.9 million and General Revenues, including transfers, of \$92.7 million. Total Governmental Activities expenses during the year were \$126.7 million; thus, Net Assets increased from \$403.6 million to \$412.5 million. The following table shows the Net Cost of Governmental Activities, which totaled a cost of \$83.8 million.

Net Cost of Governmental Activities
(in millions)

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Administration	\$ 2.7	\$ 2.5	\$ (2.5)	\$ (2.4)
Human Resources	0.8	0.8	(0.8)	(0.8)
Finance	3.2	3.0	(3.2)	(2.9)
Police	34.1	29.1	(31.5)	(25.9)
Fire	16.0	14.2	(15.7)	(13.9)
Public Works	30.1	32.7	(6.0)	(15.8)
Community Development	9.1	9.5	(0.8)	0.3
Community Services	10.4	8.2	(4.8)	0.6
Redevelopment	15.2	15.9	(13.4)	(14.4)
Interest on long term debt	5.1	5.7	(5.1)	(5.7)
Total	<u>\$ 126.7</u>	<u>\$ 121.6</u>	<u>\$ (83.8)</u>	<u>\$ (80.9)</u>

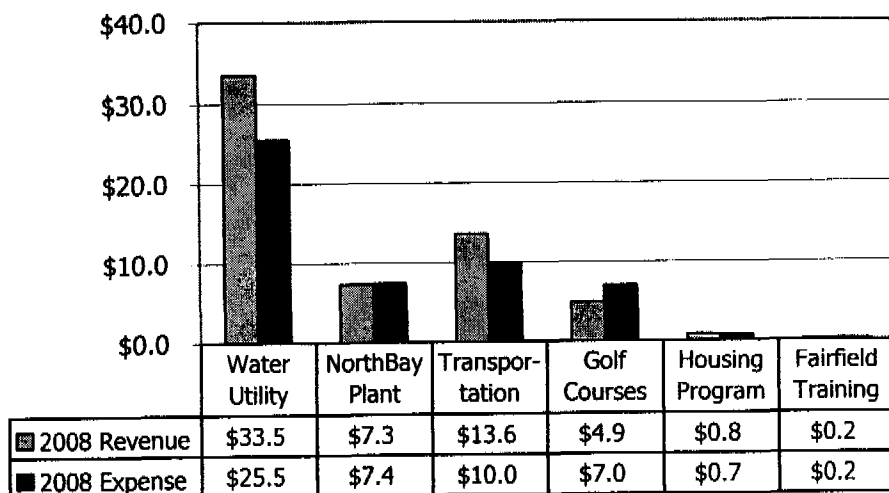
Business-Type Activities

The cost of all Business-Type activities this year was \$50.7 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems was \$43.7 million, operating grants and contributions were \$12.3 million and capital grants and contributions were \$4.4 million, for a total of \$60.4 program revenues to offset the cost of these activities.

Total resources available during the year to finance Business-Type Activities were \$174.1 million consisting of Net Assets at July 1, 2006 of \$95.1 million, program revenues of \$60.4 million and General Revenues, including transfers, of \$18.6 million. Total expenses of Business-Type Activities during the year were \$50.7 million; thus Net Assets increased from \$95.1 million to \$123.4 million.

Net Cost and Revenue and Expense of Business-Type Activities
(in millions)

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Water Utility	25.5	\$ 23.5	\$ 8.0	\$ 8.8
North Bay Treatment Plant	7.4	6.9	(0.1)	0.0
Transportation	10.0	8.9	3.6	2.0
Golf Courses	7.0	7.2	(2.1)	(2.1)
Housing Programs	0.7	0.7	0.1	0.1
Fairfield Training Center	0.2	0.0	0.0	0.0
Total	\$ 50.8	\$ 47.2	\$ 9.5	\$ 8.8



Revenue generated by the Golf Courses, together with a transfer from the General Fund, did not cover the increased cost in operation and maintenance expenses for the courses. All other business-type activities were self-sufficient and did not need additional revenue to cover the operational and capital costs.

D. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fund Financial Statements focus on individual parts of the City government, reporting operations in more detail than the Government-Wide Statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported a combined fund balance at June 30, 2008, of \$159.1 million, an increase of \$32.3 million over the end of the previous fiscal year.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total funding requirements. At the end of the 2007/08 fiscal year, the total fund balance of the General Fund was \$22.6 million, of which the unreserved portion was \$21.1 million. Of this balance, \$2.5 million is unexpended prior year appropriations that comprise departmental carryover. The remaining \$18.6 million of undesignated balance is equal to 26.9% of total General Fund expenditures and transfers out.

The Low and Moderate Income Housing funds show an increase in the fund balance of \$6.3 million from the prior year. The redevelopment requirement for 20% set-aside contribution to the Low and Moderate Housing funds from the property taxes received in each project area attributes to the increase in the funds. Currently the set-aside contribution is larger than the costs of the current projects which cause the fund balance to increase. Future project costs, such as the I-80 to I-80 in-fill acquisitions and additional multi-family housing acquisitions, will utilize this funding and help revitalize the area.

The Redevelopment Agency Debt Service funds show an increase in the fund balance of \$6.8 million from the prior year with a cumulative fund deficit balance of \$77.3 million. The overall fund deficit can be attributed to the fact the Agency's inter-fund loans from the City (primarily from the Intergovernmental Loan Fund) are now required under GASB 34 to be shown in the Debt Service funds themselves rather than under General Long-Term Debt as in pre-GASB 34 fiscal years. The increase is caused by a slight increase in property tax revenue as well as lower intergovernmental expenses.

The City Projects Capital Projects fund balance increased by \$1.3 million to \$49.9 million which is largely the result of a reduction of some projects within the city when compared to the prior year.

The Redevelopment Agency Capital Project Funds show a decrease in fund balance of \$0.4 million from the prior year. This is due to a combination of scheduled projects beginning while other projects were being completed. Most of this decrease is attributed towards the transfer from the Agency's debt service fund to purchase land held for resale.

Other Governmental Funds reflect a decrease in fund balance of \$8.1 million, which is caused by an increase of debt principle payments on the pension obligation bonds along with changing a non-major fund in the prior year to a major fund in the current year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of business-type activities under the Government-Wide Statements.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council may revise the City budget on more than one occasion. The Approved Budget is adopted by the City Council prior to the July 1 start of the fiscal year ("Original Budget"). The City Council may make appropriation or revenue estimate changes during the course of the fiscal year, primarily at the midyear budget review. Finally, the revenue and expenditure estimates for the *current* fiscal year are revised as part of the Approved Budget for the *following* fiscal year ("Final Budget").

Fiscal year 2007/08 was the first year of a two-year budget. The original estimates were made in April 2007, and the final estimates in May 2008. The final 2007/08 revenue estimate of \$60.2 million compares to \$60.9 million of actual revenues (1.2% variance), with the majority of the increase coming from investment interest income.

The final 2007/08 expenditure estimate of \$66.5 million compares to \$64.7 million of actual expenditures (2.7% variance), with nearly all of the decrease coming from higher projected employee vacancies. General Fund departments began the fiscal year with a total adjusted carryover (cumulative unspent appropriations from prior years) of \$7.9 million and ended at \$2.5 million, a decrease of 68.4%. However, this decrease is due to the City Council's direction to reduce all department carryover to 4% of their current year's expenditures. The carryover is designated for subsequent years' expenditures, and is part of the General Fund balance.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. Under GASB Statement No. 34, eligible infrastructure capital assets are depreciated under the straight-line method. At June 30, 2008, net capital assets of the governmental activities totaled \$235.5 million and the net capital assets of the business-type activities totaled \$168.8 million. Depreciation on capital assets is recognized in the Government-Wide Financial Statements. Refer to note #7 on pages 60-61 for a more detailed listing of all capital assets.

Summary of Capital Assets (in millions)

	Cost	Accumulated Depreciation	Carrying Amount
Governmental Activities			
Land	\$ 32.1		\$ 32.1
Buildings and Improvements	71.0	\$ (31.4)	39.6
Equipment, Vehicles, Machinery	28.9	(17.4)	11.5
Infrastructure	273.4	(138.5)	134.9
Construction in Progress	17.4		17.4
Total Governmental Activities	<u>\$ 422.8</u>	<u>\$ (187.3)</u>	<u>\$ 235.5</u>
Business-Type Activities:			
Land	\$ 15.2		\$ 15.2
Buildings and Improvements	80.3	\$ (30.7)	49.6
Equipment, Vehicles, Machinery	26.5	(18.7)	7.8
Infrastructure	92.3	(50.7)	41.6
Construction in Progress	54.6		54.6
Total Business-Type Activities	<u>\$ 268.9</u>	<u>\$ (100.1)</u>	<u>\$ 168.8</u>

This year's major capital asset additions were:

- Acceptance of thirteen subdivisions, which mostly consist of donated infrastructure additions: i.e. roads, water and sewer lines, etc. along with the purchase of land for the Northern Connector located in the Cordelia area and the completion of the Police Training Center.
- Additional assets being constructed are: the Waterman Water Treatment Plant upgrade, I-80 interchange realignment at North Texas Street, along with other projects currently under construction.

Long-Term Indebtedness

Debt considered a liability of governmental activities increased during 2007/08 by a net of \$24.1 million to an outstanding balance of \$183.5 million as of June 30, 2008. The increase is a result of the issuance of new debt to construct additional infrastructure in the Cordelia area. The City's bonded debt per capita is a useful indicator to citizens and investors of the City's debt position. The bonded debt at June 30, 2008, is equivalent to \$106 per capita, down 4.5% from the previous fiscal year.

Debt for business-type activities increased in 2007/08 by \$80.1 million, to \$141.1 million, as a result of the issuance of new debt to upgrade the water treatment plant and install an east-west water transmission line. Refer to Note #9 on page 62 of the notes to the financial statements for a more detailed listing.

Summary of Long-Term Indebtedness
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 12.0	\$ 12.4			\$ 12.0	\$ 12.4
Pension Obligation Bonds	36.3	40.9			36.3	40.9
Special Assessment District Bonds	6.0	7.0			6.0	7.0
Open Space Revenue Bonds	0.6	0.7			0.6	0.7
Community Facilities District Bonds	33.6	-			33.6	-
Redevelopment Revenue Bonds	70.3	73.9			70.3	73.9
Utility-Water Revenue Bonds			\$ 129.3	\$ 48.6	129.3	48.6
Recreational Revenue Bonds			11.8	12.4	11.8	12.4
Long-Term Notes Payable	6.0	6.5			6.0	6.5
Compensated Absences	12.2	10.3			12.2	10.3
Claims and Judgements	6.5	7.7			6.5	7.7
Total Indebtedness	\$ 183.5	\$ 159.4	\$ 141.1	\$ 61.0	\$ 324.6	\$ 220.4

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City annually prepares a ten-year financial plan, which focuses on long-term financial viability and allows decision-makers to better understand the on-going impact of current policy decisions. Multi-year planning also provides both an "early warning" of adverse financial trends, and more time to implement changes to ensure better outcomes. Budget development is guided by a series of budget and financial policies adopted by the City Council, including long-term planning, the Expenditure Control Budget concept, minimum reserve levels, employee compensation, cash and debt management, information technology and utility rates. Due to financial uncertainties caused by the State Budget deficit and rising personnel costs for retirement and health insurance, the City enacted a two-year budget for fiscal years 2007/08 and 2008/09. The budget was updated in June 2008 for FY 2008/09 and was based on the following key assumptions:

- New Housing Units – The current level of 80 units is far below the annual average of 708 over the past 20 years. In 2008/09 only a modest improvement to 120 units is projected, followed by 403 units in 2009/10; the next six-year annual average of 670 units is still below historical standards.
- New Commercial/Industrial Square Footage – The 2007/08 level of 123,000 square feet is also well below the historical average of 688,000 square feet per year. However, the next two years are projected to be

around 88% of historical levels, and the next six years should exceed the historical average. Nationally, commercial/industrial has not been as hard hit as the residential sector, and there are major projects anticipated to move ahead.

- Inflation growth - The average has been just over 3% for 20 years, although the latest increase was 4.29% amid higher gas and food prices. The long-term forecast remains at 3%.
- Property Tax growth - The average has been a strong 10.1% growth over the past 10 years. However, in 2007/08, a collapse of supplemental roll payments will result in a decline of 1%. The budget forecast assumes that (a) 15% of properties will initially decline in value by 25%, (b) increases due to changes in ownership will shrink to 20% of their historical levels, and (c) the recovery to historical standards of growth will occur over the next six years. Given projected new construction and other growth allowed under Propositions 8 and 13, there would still be 1.8% revenue growth in 2008/09 and 3.8% in 2009/10; future growth would average 6.1%, which is still lower than historical standards.
- Sales Tax growth - The average has been moderately strong at 6.2% growth over the past 10 years. However, the declines of the last year and a half result in a 5.2% decline in 2007/08. The budget forecast assumes 3.2% revenue growth in 2008/09 and 4.0% in 2009/10 (including addition of new auto dealerships); future growth would average 4.9%, which is lower than historical standards.
- State Budget Takeaways - The existing level of net state budget takeaways is approximately \$6.4 million annually. The last new takeaway cost the General Fund \$1.1 million annually in lost property tax for two years ending 2005/06 (and another \$2.1 million in lost annual redevelopment tax increment revenues over the same period). There have been no new takeaways since, although the bad shape of the state budget makes this an ever-present possibility. The passage of Prop 1A in 2004 limits the exposure of cities to losses of property tax, sales tax and vehicle license fees.
- Personnel costs - The General and Public Safety Funds have grown at an average rate of 8.4% over the past 10 years. This growth includes the addition of positions, as well as increases in salaries and benefits costs, and includes merit increases and costs of overtime and part-time staff. The growth for 2007/08 is nearly as high, at 7.8%. Following the recently-adopted budget cuts and proposed reduction in growth in salary and health rates, net growth after vacancies for 2008/09 would drop to 1.4%; 2009/10 growth would be 2.0% and the next six years would average 3.2%.

2008 City Goals

The following goals were approved at the Council's annual goal-setting session on January 4-5, 2008.

1. Budget - Council's top priority for 2008 is to deal with the City's budgetary shortfall including maintaining a 5% General Fund reserve, minimizing layoffs, and minimizing reductions in service levels. On March 13, 2008, the City Council approved \$7.2 million in General Fund budget cuts (a 9% reduction) resulting in the elimination of 45 positions, 3 of which were layoffs.
2. Crime/Public Safety - This continues one of the Council's top goals for the past four years, which is to reduce crime, especially violent crime and make Fairfield a safer community. By implementing the community policing approach that brings police and citizens together to prevent crime and solve neighborhood problems, citizens are given more control over the quality of life in their community and the police become a part of the neighborhood. The Crime Free Multi Housing program will continue to certify rental housing by educating property owners and managers, inspecting properties for appearance and security issues, and educating tenants to obey property rules and criminal laws. The Building Great

City of Fairfield

Management's Discussion and Analysis, continued
For the Year Ended June 30, 2008

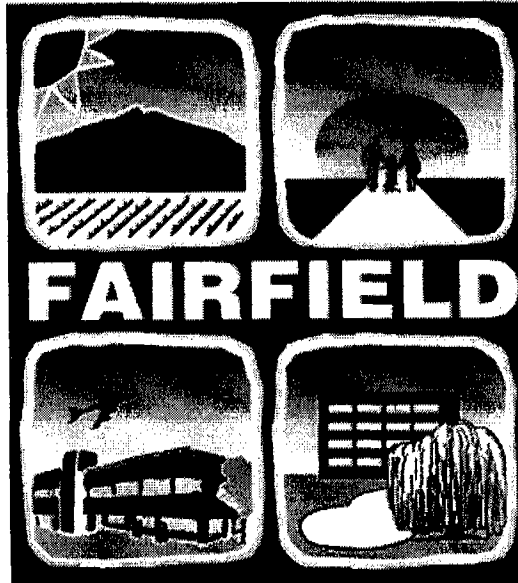
Neighborhoods (BGN) program will also continue to provide a comprehensive approach of after-school and recreation programs for youth as well as infrastructure and appearance improvements and nuisance abatement. Another aspect of achieving improved public safety is the enhancement of services to the Cordelia/Green Valley area with emphasis on constructing a new fire station to better serve the citizens living in that area.

3. Economic Development - The goal is to continue support of current programs and maintain the long-term strategy of attracting major businesses and developing a marketing campaign promoting the City as "pro-business." Another aspect is to explore work force development initiatives with colleges, universities and local school districts.
4. Youth Services - The goal is to open the Matt Garcia Police Activities League (PAL) facility to offer education, athletics, and other recreational activities for Fairfield's youth in the 7th - 12th grades. These activities help develop discipline, positive self-image, mutual trust and respect to create a positive bond between police officers and at-risk youth. In addition, the "Fun on the Run" program will continue to bring quality recreation programs to kids in underserved areas who cannot afford to take advantage of after school fee-based programs. The activities include sports, arts & crafts, and team building. Moreover, the Community Services Department will continue to offer it's award winning The Place To Be After Three program, providing peer tutors and teachers, mentorship opportunities, life skills, sports, health, fitness, dance and poetry programs.

H. CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department at 1000 Webster Street, Fairfield CA 94533, phone 707-428-7569, or e-mail akrishnan@ci.fairfield.ca.us.

HEART OF SOLANO COUNTY



C A L I F O R N I A

Government-Wide Financial Statements

HEART OF SOLANO COUNTY



C A L I F O R N I A

CITY OF FAIRFIELD

Statement of Net Assets June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$192,504,252	\$ 52,308,792	\$ 244,813,044
Receivables, net	54,279,897	9,861,968	64,141,865
Inventory	399,372	199,495	598,867
Prepaid items	54,903	65,695	120,598
Restricted cash and investments	37,928,204	70,829,392	108,757,596
Land held for development	27,665,947		27,665,947
Internal balances	16,345,567	(16,345,567)	-
Investment in joint agencies		1,522,044	1,522,044
Deferred charges, net	4,603,219	4,518,628	9,121,847
Net Pension Asset	36,625,500		36,625,500
Capital Assets:			
Nondepreciable	49,463,242	69,770,988	119,234,230
Depreciable, net	186,079,924	99,040,852	285,120,776
Total Capital Assets	<u>235,543,166</u>	<u>168,811,840</u>	<u>404,355,006</u>
Total assets	<u>605,950,027</u>	<u>291,772,287</u>	<u>897,722,314</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable and other current liabilities	7,133,520	5,824,554	12,958,074
Interest payable	1,369,808	2,574,915	3,944,723
Unearned revenue	139,738	213,665	353,403
Minority interest in joint agencies		18,711,424	18,711,424
Net OPEB obligation	1,276,000		1,276,000
Long-term Obligations:			
Long-term debt - due within one year	8,413,936	4,585,000	12,998,936
Long-term debt - due in more than one year	175,091,860	136,486,697	311,578,557
Total liabilities	<u>193,424,862</u>	<u>168,396,255</u>	<u>361,821,117</u>
NET ASSETS:			
Invested in capital assets, net of related debt	144,466,640	85,867,972	230,334,612
Restricted for:			
Capital Projects	105,466,731		105,466,731
Debt Service	27,880,532		27,880,532
Community Development	59,659,179		59,659,179
Special Projects	39,926,807		39,926,807
Permanent Fund:			
Expendable	10,496		10,496
Nonexpendable	335,375		335,375
Total Restricted	233,279,120	-	233,279,120
Unrestricted	34,779,405	37,508,060	72,287,465
Total net assets	<u>\$ 412,525,165</u>	<u>\$ 123,376,032</u>	<u>\$ 535,901,197</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities					
Administrative	\$ 2,703,412	\$ 1,732	\$ 171,043		\$ 172,775
Human resources	806,325	3,504			3,504
Finance	3,227,684	1,259	3,518		4,777
Police	34,098,909	564,467	2,083,838		2,648,305
Fire	16,015,598	153,496	204,481		357,977
Public works	30,105,784	3,901,358	4,205,068	\$ 15,991,441	24,097,867
Community development	9,118,440	26,441	8,241,494		8,267,935
Community services	10,428,660	2,208,774	2,189,273	1,220,405	5,618,452
Redevelopment agency	15,173,773	1,793,921			1,793,921
Interest on long-term debt	5,080,479				
Total governmental activities	126,759,064	8,654,952	17,098,716	17,211,846	42,965,514
Business-type activities:					
Water Utility	25,511,488	29,538,590	4,011,415		33,550,005
North Bay Treatment Plant	7,449,396	6,284,495		1,072,506	7,357,001
Transportation	10,000,808	2,206,626	8,185,148	3,193,039	13,584,813
Golf Courses	6,945,535	4,897,622			4,897,622
Housing Program	711,292	793,492	22,825		816,317
Police Training Center	222,786	17,216	100,000	100,000	217,216
Total business-type activities	50,841,305	43,738,041	12,319,388	4,365,545	60,422,974
Total primary government	\$ 177,600,369	\$ 52,392,993	\$ 29,418,104	\$ 21,577,391	\$ 103,388,488

General Revenues and Transfers:

Taxes:

Property taxes
Sales taxes
Other taxes

Total Taxes

Unrestricted Intergovernmental revenues

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

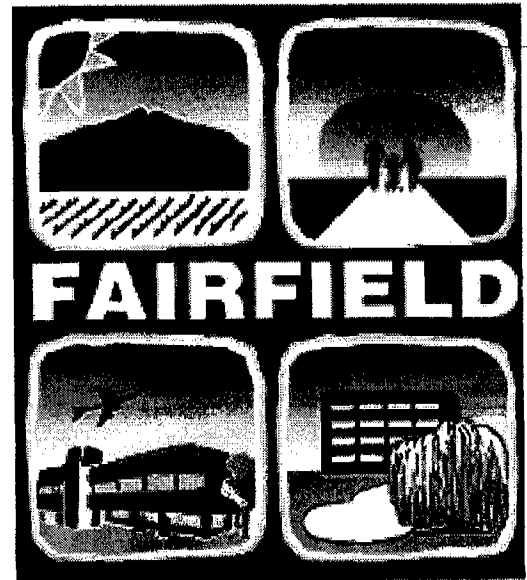
Net assets - end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,530,637)		\$ (2,530,637)
(802,821)		(802,821)
(3,222,907)		(3,222,907)
(31,450,604)		(31,450,604)
(15,657,621)		(15,657,621)
(6,007,917)		(6,007,917)
(850,505)		(850,505)
(4,810,207)		(4,810,207)
(13,379,852)		(13,379,852)
(5,080,479)		(5,080,479)
(83,793,550)		(83,793,550)
	\$ 8,038,517	8,038,517
	(92,395)	(92,395)
	3,584,005	3,584,005
	(2,047,913)	(2,047,913)
	105,025	105,025
	(5,570)	(5,570)
	9,581,669	9,581,669
(83,793,550)	9,581,669	(74,211,881)
51,191,170		51,191,170
17,480,626		17,480,626
10,831,669		10,831,669
79,503,465		79,503,465
8,811,864		8,811,864
14,547,234	5,205,223	19,752,457
3,311,935		3,311,935
(13,410,749)	13,410,749	
92,763,749	18,615,972	111,379,721
8,970,199	28,197,641	37,167,840
403,554,966	95,178,391	498,733,357
\$ 412,525,165	\$ 123,376,032	\$ 535,901,197

The notes to the financial statements are an integral part of this statement.

HEART OF SOLANO COUNTY



C A L I F O R N I A

Government Fund Financial Statements

CITY OF FAIRFIELD

Balance Sheet Government Funds June 30, 2008

	Major Funds		
	General Fund	Redevelopment Low/Mod Income Housing Special Revenue	Redevelopment Debt Service
ASSETS			
Assets:			
Cash and investments	\$ 20,848,996	\$ 12,810,637	\$ 14,036,320
Receivables, net	2,491,979	15,264,731	4,358,083
Due from other funds		71,229	
Restricted cash and investments			7,104,770
Land held for development		14,716,567	
Advances to other funds		3,901,284	
Total assets	<u>\$ 23,340,975</u>	<u>\$ 46,764,448</u>	<u>\$ 25,499,173</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 710,595	\$ 38,553	\$ 189,960
Due to other funds			
Advances from other funds		269,685	91,514,788
Deferred revenues		2,662,450	4,280,000
Total liabilities	<u>710,595</u>	<u>2,970,688</u>	<u>95,984,748</u>
Fund Balances			
Reserved for:			
Encumbrances	1,525,856	4,714,807	
Endowment			
Notes receivable and Advances to other funds		15,475,817	
Land held for development		14,716,567	
Major Maintenance			
Debt service			14,792,101
Low and moderate income housing		8,886,569	
Special projects and programs			
Unreserved:			
Designated for subsequent years' expenditures	2,585,551		
Undesignated	18,518,973		(85,277,676)
Total fund balances	<u>22,630,380</u>	<u>43,793,760</u>	<u>(70,485,575)</u>
Total liabilities and fund balances	<u>\$ 23,340,975</u>	<u>\$ 46,764,448</u>	<u>\$ 25,499,173</u>

The notes to the financial statements are an integral part of this statement.

Major Funds				
City Capital Projects	Redevelopment Capital Projects	Assessment & Improvement Districts Capital Projects	Other Non-Major Governmental Funds	Total Governmental Funds
\$ 52,418,604	\$ 929,568	\$ 15,391,088	\$ 34,357,069	\$ 150,792,282
2,818,526	3,941,986	158,049	23,954,345	52,987,699
				71,229
		23,411,246	7,412,188	37,928,204
	12,949,380			27,665,947
			6,164,160	10,065,444
<u>\$ 55,237,130</u>	<u>\$ 17,820,934</u>	<u>\$ 38,960,383</u>	<u>\$ 71,887,762</u>	<u>\$ 279,510,805</u>
\$ 4,826,832	\$ 101,058	\$ 33,053	\$ 629,680	\$ 6,529,731
500,000		20,000	248,989	768,989
	1,077,269			92,861,742
	1,767,497		11,528,757	20,238,704
<u>5,326,832</u>	<u>2,945,824</u>	<u>53,053</u>	<u>12,407,426</u>	<u>120,399,166</u>
18,917,467	220,555	50,996	904,456	26,334,137
			335,375	335,375
	2,167,538	16,500	17,137,791	34,797,646
	12,949,380			27,665,947
			2,808,610	2,808,610
			9,960,180	24,752,281
				8,886,569
30,992,831		38,839,834	28,333,924	98,166,589
				2,525,856
	(462,363)			(67,161,371)
<u>49,910,298</u>	<u>14,875,110</u>	<u>38,907,330</u>	<u>59,480,336</u>	<u>159,111,639</u>
<u>\$ 55,237,130</u>	<u>\$ 17,820,934</u>	<u>\$ 38,960,383</u>	<u>\$ 71,887,762</u>	<u>\$ 279,510,805</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets June 30, 2008

Total Fund Balances - Total Governmental Funds

\$ 159,111,639

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$6,724,774, the capital assets were adjusted as follows:

Nondepreciable Assets	49,463,242
Depreciable buildings, property, equipment, and infrastructure, net	179,355,150
Total Capital Assets	<u>228,818,392</u>

Bond Issuance costs are recorded as an expenditure in the fund financial statements but are capitalized as deferred charges (and subsequently amortized over the life of the bond issue) in the government-wide financial statements.

4,603,219

The net pension asset resulting from the contributions in excess of the annual required contribution (from the issuance of the Pension Obligation Bonds and the subsequent payment to PERS for pension costs) are not financial resources and therefore are not reported in the funds.

36,625,500

In the fund financial statements, the Redevelopment Debt Service Fund shows a long term debt (owed to the Internal Service Fund) while the Internal Service Fund shows an Investment in bonds of Redevelopment Agency. This debt item is eliminated when the item rolls up the government wide financial statements since both debt service fund and internal service fund are shown in governmental activities. This item removes the asset of the Internal Service Fund.

(954,351)

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$7,790, the interest payable was adjusted as follows:

(1,362,018)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets.

140,953,538

Most deferred revenue in the fund financial statements is not a current financial resource and is therefore not reported in the Government-Wide Financial Statements.

20,098,966

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$8,136,076, the long-term liabilities were adjusted as follows:

Long-term liabilities - due within one year	(6,499,431)
Long-term liabilities - due in more than one year	(168,870,289)
Total long-term liabilities	<u>(175,369,720)</u>

Net Assets of Governmental Activities

\$ 412,525,165

The notes to the financial statements are an integral part of this statement.

HEART OF SOLANO COUNTY



FAIRFIELD

C A L I F O R N I A

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2008

	Major Funds		
	General Fund	Redevelopment Low/Mod Income Housing Special Revenue	Redevelopment Debt Service
REVENUES:			
Taxes	\$ 28,486,363		
Property taxes	12,712,212	\$ 7,258,578	\$ 29,034,311
Development fees			
Special assessments levied			
Licenses, permits and fines	2,115,660		
Developers' contribution			
Intergovernmental	9,203,537	10,000	
Charges for services	3,620,961		
Investment income	2,141,322	1,002,967	1,497,976
Miscellaneous	2,628,534	340,092	309,889
Total revenues	<u>60,908,589</u>	<u>8,611,637</u>	<u>30,842,176</u>
EXPENDITURES:			
Current:			
Administrative	424,083		
Human resources	735,649		
Finance	2,784,267		
Police	28,046,353		
Fire	13,131,892		
Public works	9,755,786		
Community services	7,515,393		
Community development	752,968		
Redevelopment agency		2,626,866	
Non-departmental	1,515,801		
Intergovernmental			7,412,715
Capital outlay			
Debt service:			
Principal retirement			4,342,766
Interest			9,599,767
Fiscal agent fees			744,308
Special assessment payments			380,451
Issuance costs			
Total expenditures	<u>64,662,192</u>	<u>2,626,866</u>	<u>22,480,007</u>
Revenues over (under) expenditures	<u>(3,753,603)</u>	<u>5,984,771</u>	<u>8,362,169</u>
OTHER FINANCING SOURCES (USES):			
Issuance of debt		30,000	
Bond premium			
Bond discount			
Transfers in	10,845,914	425,000	1,660,000
Transfers out	(4,545,178)	(163,749)	(3,226,865)
Total other financing sources (uses)	<u>6,300,736</u>	<u>291,251</u>	<u>(1,566,865)</u>
Net change in fund balances	<u>2,547,133</u>	<u>6,276,022</u>	<u>6,795,304</u>
FUND BALANCES:			
Beginning of year	20,083,247	37,517,738	(77,280,879)
End of year	<u>\$ 22,630,380</u>	<u>\$ 43,793,760</u>	<u>\$ (70,485,575)</u>

The notes to the financial statements are an integral part of this statement.

Major Funds				
City Capital Projects	Redevelopment Capital Projects	Assessment & Improvement Districts Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
			\$ 990,560	\$ 29,476,923
			434,983	49,440,084
\$ 2,061,537		\$ 1,977,424	4,720,466	2,061,537
				6,697,890
		46,747		2,115,660
3,694,362			14,581,730	46,747
				27,489,629
2,830,850	\$ 177,416	1,078,257	3,325,271	3,620,961
224,972	1,496,017	49,615	239,380	12,054,059
8,811,721	1,673,433	3,152,043	24,292,390	5,288,499
				138,291,989
			174,335	598,418
				735,649
				2,784,267
			4,024,994	32,071,347
			1,611,590	14,743,482
			3,798,463	13,554,249
			1,061,429	8,576,822
			8,119,827	8,872,795
	2,584,919			5,211,785
				1,515,801
	112,500		166	7,525,381
24,241,026	1,029,164	900,651		26,170,841
			6,051,890	10,394,656
			2,403,272	12,003,039
			252,458	996,766
				380,451
		686,566		686,566
24,241,026	3,726,583	1,587,217	27,498,424	146,822,315
(15,429,305)	(2,053,150)	1,564,826	(3,206,034)	(8,530,326)
		27,851,722	5,753,278	33,635,000
		156,881		156,881
		(264,210)		(264,210)
16,735,116	3,226,865	130,000	2,747,097	35,769,992
	(1,619,797)	(5,552,692)	(13,353,294)	(28,461,575)
16,735,116	1,607,068	22,321,701	(4,852,919)	40,836,088
1,305,811	(446,082)	23,886,527	(8,058,953)	32,305,762
48,604,487	15,321,192	15,020,803	67,539,289	126,805,877
\$ 49,910,298	\$ 14,875,110	\$ 38,907,330	\$ 59,480,336	\$ 159,111,639

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 32,305,762
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures in the amount of \$26,170,841. In the Government-Wide Statement of Activities and Changes in Net Assets, a portion of these expenditures, \$16,927,547 are reported as capital assets. Also, \$10,278,722 of developer donated assets were recorded. Additional departmental assets were recorded at \$1,042,139.	28,248,408
In the current year, in the government-wide statement of activities, the governmental activities transferred an asset (included in "transfer out"), the Police Training Center, to the Business-Type Activities (for the ongoing operation and maintenance of the Police Training Facility).	(13,179,731)
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(9,970,591)
Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, the changes in long-term compensated absences are not reported as expenditures in Governmental Funds.	(1,916,783)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
Current year bond proceeds.	(33,635,000)
Current year long-term debt repayments.	10,394,656
In the current year, bond issuance expenses were incurred in the fund financial statements. For the Government Wide Statements, these charges are capitalized and amortized over time.	793,895
Amortization of Net Pension Asset does not take place at the fund financial statement level as this item was recorded as expenditures in the year of bond issuance. For the Government Wide Statements, these charges are capitalized and amortized over time. This amount is the current year amortization of the Net Pension Asset.	(1,356,500)
Amortization of Deferred Charges does not take place at the fund financial statement level as these items are recorded as expenditures. For the Government Wide Statements, these charges are capitalized and amortized over time. This amount is the current year amortization of deferred charges.	(262,683)
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year.	88,569
In the Governmental Funds, current year recognition of revenue (from previous year's recorded deferred revenue) has been recorded as certain amounts became "available" (measurable and available) in the current year. However, in the Statement of Changes in Net Assets, this revenue recognition would have already taken place in prior years (as "available" is only a criteria for recognizing revenue in the modified accrual basis of accounting).	(2,285,954)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The increase in net assets of the Internal Service Funds is reported with Governmental Activities.	(253,849)
Change in Net Assets of Governmental Activities	<u>\$ 8,970,199</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Fund For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 31,017,000	\$ 28,835,000	\$ 28,486,363	\$ (348,637)
Property taxes	13,104,000	12,904,000	12,712,212	(191,788)
Licenses, permits and fines	3,639,000	2,357,000	2,115,660	(241,340)
Intergovernmental	9,426,000	9,037,000	9,203,537	166,537
Charges for services	6,629,000	3,640,000	3,620,961	(19,039)
Investment income	1,314,000	1,547,000	2,141,322	594,322
Miscellaneous	1,786,000	1,866,000	2,628,534	762,534
Total Revenues	66,915,000	60,186,000	60,908,589	722,589
Expenditures:				
Current:				
Administrative	476,000	495,000	424,083	70,917
Human resources	836,000	762,000	735,649	26,351
Finance	3,131,000	2,894,000	2,784,267	109,733
Police	29,009,000	28,463,000	28,046,353	416,647
Fire	13,110,000	13,272,000	13,131,892	140,108
Public works	11,742,000	10,963,000	9,755,786	1,207,214
Community services	7,796,000	7,077,000	7,515,393	(438,393)
Community development	818,000	754,000	752,968	1,032
Non-departmental	2,070,000	1,837,000	1,515,801	321,199
Total Expenditures	68,988,000	66,517,000	64,662,192	1,854,808
Excess Revenues Over (Under) Expenditures	(2,073,000)	(6,331,000)	(3,753,603)	2,577,397
Other Financing Sources (Uses):				
Transfers in	3,827,000	10,585,000	10,845,914	260,914
Transfers out	(4,533,485)	(7,050,485)	(4,545,178)	2,505,307
Total Other Financing Sources (Uses)	(706,485)	3,534,515	6,300,736	2,766,221
Net change in fund balance	<u>\$ (2,779,485)</u>	<u>\$ (2,796,485)</u>	2,547,133	<u>\$ 5,343,618</u>
Fund Balance - Beginning of Year			20,083,247	
Fund Balance - End of Year			<u>\$ 22,630,380</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Low and Moderate Income Housing Major Special Revenue Fund For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 7,093,000	\$ 7,301,000	\$ 7,258,578	\$ (42,422)
Intergovernmental	10,000	10,000	10,000	
Investment income	206,000	250,000	1,002,967	752,967
Miscellaneous		347,560	340,092	(7,468)
Total Revenues	7,309,000	7,908,560	8,611,637	703,077
Expenditures:				
Current:				
Redevelopment	4,747,000	3,032,000	2,626,866	405,134
Total Expenditures	4,747,000	3,032,000	2,626,866	405,134
Excess Revenues Over (Under) Expenditures	2,562,000	4,876,560	5,984,771	1,108,211
Other Financing Sources (Uses):				
Proceeds from borrowing			30,000	30,000
Transfers in	425,000	425,000	425,000	
Transfers out	(163,749)	(163,749)	(163,749)	
Total Other Financing Sources	261,251	261,251	291,251	30,000
Net change in fund balance	<u>\$ 2,823,251</u>	<u>\$ 5,137,811</u>	6,276,022	<u>\$ 1,138,211</u>
Fund Balance - Beginning of Year			37,517,738	
Fund Balance - End of Year			<u>\$ 43,793,760</u>	

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Financial Statements

CITY OF FAIRFIELD

Statement of Net Assets Proprietary Funds June 30, 2008

	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
ASSETS:				
Current Assets				
Cash and investments	\$ 42,868,473	\$ 5,806,165	\$ 3,003,800	\$ 13,481
Receivables, net	5,326,116	1,007,956	3,386,555	42,254
Inventory				199,495
Prepaid items				
Due from other funds				
Total current assets	48,194,589	6,814,121	6,390,355	255,230
Noncurrent Assets				
Restricted cash and investments	56,805,872	10,822,959		3,200,561
Advances to other funds				
Investment in joint agencies	1,522,044			
Investment in bonds of Redevelopment Agency				
Notes receivable				
Deferred charges	1,959,506			2,559,122
Capital assets:				
Nondepreciable	53,316,389	2,981,638	1,592,233	10,616,939
Depreciable, net	39,353,826	29,435,826	9,721,799	7,784,770
Total capital assets	92,670,215	32,417,464	11,314,032	18,401,709
Total noncurrent assets	152,957,637	43,240,423	11,314,032	24,161,392
Total assets	201,152,226	50,054,544	17,704,387	24,416,622
LIABILITIES:				
Current Liabilities				
Accounts payable and other current liabilities	3,614,655	813,160	673,182	658,672
Accrued interest payable	2,278,295			296,620
Due to other funds				16,500
Deferred revenue				213,665
Claims and judgments and payable				
Long-term debt - due within one year	3,915,000			670,000
Total current liabilities	9,807,950	813,160	673,182	1,855,457
Noncurrent Liabilities				
Advances from other funds				16,329,067
Claims and judgments payable				
Minority interest in joint agencies		18,711,424		
Long-term debt - due in more than one year	125,361,697			11,125,000
Total noncurrent liabilities	125,361,697	18,711,424	-	27,454,067
Total liabilities	135,169,647	19,524,584	673,182	29,309,524
NET ASSETS:				
Invested in capital assets, net of related debt	20,199,390	32,417,464	11,314,032	7,928,666
Unrestricted	45,783,189	(1,887,504)	5,717,173	(12,821,568)
Total net assets	\$ 65,982,579	\$ 30,529,960	\$ 17,031,205	\$ (4,892,902)

The notes to the financial statements are an integral part of this statement.

Major Fund			Governmental
Housing Programs	Police Training Center	Totals	Activities Internal Service Funds
\$ 535,524	\$ 81,349	\$ 52,308,792	\$ 41,711,970
86,287	12,800	9,861,968	309,188
		199,495	399,372
65,695		65,695	54,903
			714,260
<u>687,506</u>	<u>94,149</u>	<u>62,435,950</u>	<u>43,189,693</u>
		70,829,392	
		1,522,044	99,125,365
			954,351
		4,518,628	983,010
407,663	856,126	69,770,988	
502,400	12,242,231	99,040,852	6,724,774
910,063	13,098,357	168,811,840	6,724,774
910,063	13,098,357	245,681,904	107,787,500
1,597,569	13,192,506	308,117,854	150,977,193
46,540	18,345	5,824,554	603,789
		2,574,915	7,790
		16,500	
		213,665	
			1,582,950
		4,585,000	331,555
<u>46,540</u>	<u>18,345</u>	<u>13,214,634</u>	<u>2,526,084</u>
		16,329,067	
			4,920,050
		18,711,424	
		136,486,697	1,301,521
		171,527,188	6,221,571
46,540	18,345	184,741,822	8,747,655
910,063	13,098,357	85,867,972	5,091,698
640,966	75,804	37,508,060	135,861,840
<u>\$ 1,551,029</u>	<u>\$ 13,174,161</u>	<u>\$ 123,376,032</u>	<u>\$ 140,953,538</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds Year Ended June 30, 2008

	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
OPERATING REVENUES:				
Charges for services	\$ 28,856,510	\$ 6,284,495	\$ 2,084,148	\$ 4,643,199
Miscellaneous	682,080		122,478	254,423
Total operating revenues	<u>29,538,590</u>	<u>6,284,495</u>	<u>2,206,626</u>	<u>4,897,622</u>
OPERATING EXPENSES:				
Material and supplies				103,876
Operating and maintenance	13,454,328	5,193,988	7,150,119	3,821,439
General and administrative	4,309,742	787,390	1,211,910	476,621
Premiums/provision for insurance claims				
Depreciation	2,925,234	912,994	1,638,779	838,028
Total operating expenses	<u>20,689,304</u>	<u>6,894,372</u>	<u>10,000,808</u>	<u>5,239,964</u>
Operating income (loss)	<u>8,849,286</u>	<u>(609,877)</u>	<u>(7,794,182)</u>	<u>(342,342)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	3,968,339	942,564	150,128	117,526
Interest expense	(4,822,184)			(1,705,571)
Intergovernmental revenue			8,185,148	
Other revenue (expense)	4,011,415	(555,024)		
Total nonoperating revenues (expenses)	<u>3,157,570</u>	<u>387,540</u>	<u>8,335,276</u>	<u>(1,588,045)</u>
Income (loss) before contributions and transfers	<u>12,006,856</u>	<u>(222,337)</u>	<u>541,094</u>	<u>(1,930,387)</u>
Capital contributions		1,072,506	3,193,039	
Transfers:				
Transfers in				545,693
Transfers out	(137,057)	(78,441)	(25,093)	(64,886)
Total transfers	<u>(137,057)</u>	<u>(78,441)</u>	<u>(25,093)</u>	<u>480,807</u>
Change in net assets	<u>11,869,799</u>	<u>771,728</u>	<u>3,709,040</u>	<u>(1,449,580)</u>
NET ASSETS:				
Beginning of year	54,112,780	29,758,232	13,322,165	(3,443,322)
End of year	<u>\$ 65,982,579</u>	<u>\$ 30,529,960</u>	<u>\$ 17,031,205</u>	<u>\$ (4,892,902)</u>

The notes to the financial statements are an integral part of this statement.

Major Fund			Governmental Activities Internal Service Funds
Housing Programs	Police Training Center	Totals	
\$ 773,892	\$ 17,216	\$ 42,659,460	\$ 17,383,974
19,600		1,078,581	
<u>793,492</u>	<u>17,216</u>	<u>43,738,041</u>	<u>17,383,974</u>
14,854	5,375	124,105	4,137,070
151,389	2,939	29,774,202	2,493,163
477,715	35,086	7,298,464	1,825,186
			3,315,855
<u>67,334</u>	<u>179,386</u>	<u>6,561,755</u>	<u>1,182,369</u>
<u>711,292</u>	<u>222,786</u>	<u>43,758,526</u>	<u>12,953,643</u>
<u>82,200</u>	<u>(205,570)</u>	<u>(20,485)</u>	<u>4,430,331</u>
26,666		5,205,223	2,077,599
		(6,527,755)	(66,216)
22,825	100,000	8,307,973	
		<u>3,456,391</u>	<u>843,872</u>
<u>49,491</u>	<u>100,000</u>	<u>10,441,832</u>	<u>2,855,255</u>
<u>131,691</u>	<u>(105,570)</u>	<u>10,421,347</u>	<u>7,285,586</u>
	13,279,731	17,545,276	
		545,693	2,188,000
<u>(9,198)</u>		<u>(314,675)</u>	<u>(9,727,435)</u>
<u>(9,198)</u>	-	<u>231,018</u>	<u>(7,539,435)</u>
122,493	13,174,161	28,197,641	(253,849)
<u>1,428,536</u>	<u>-</u>	<u>95,178,391</u>	<u>141,207,387</u>
<u>\$ 1,551,029</u>	<u>\$ 13,174,161</u>	<u>\$ 123,376,032</u>	<u>\$ 140,953,538</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2008

	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 29,538,590	\$ 6,573,123	\$ 2,199,527	\$ 4,737,618
Payments to suppliers	(12,347,551)	(3,073,339)	(7,955,807)	(3,553,678)
Payments to employees	(3,740,456)	(2,116,759)	(684,746)	(101,824)
Payments for Interfund Services Used		(163,413)		(374,797)
Net cash provided by (used for) operating activities	<u>13,450,583</u>	<u>1,219,612</u>	<u>(6,441,026)</u>	<u>707,319</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Receipt of lease revenue				
Grants			7,614,199	
Advances from other funds				502,000
Transfers in				545,693
Transfers out	(137,057)	(78,441)	(25,093)	(64,886)
Net cash provided by (used for) noncapital financing activities	<u>(137,057)</u>	<u>(78,441)</u>	<u>7,589,106</u>	<u>982,807</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from capital debt	84,402,494			
Principal payments-bonds	(3,750,000)			(640,000)
Principal payments-notes payable				
Interest paid	(2,932,110)			(607,640)
Fiscal agent fees paid	(15,947)			(8,911)
Capital contributions		1,072,506	3,762,309	
Proceeds from sales of capital assets				
Purchases of capital assets	(775,245)	(26,776)	(2,972,199)	(404,122)
Construction of capital assets	(28,476,294)	(1,647,414)		
Net cash used by capital and related financing activities	<u>48,452,898</u>	<u>(601,684)</u>	<u>790,110</u>	<u>(1,660,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	3,851,132	928,517	129,662	117,526
Net cash provided by investing activities	<u>3,851,132</u>	<u>928,517</u>	<u>129,662</u>	<u>117,526</u>
Net increase (decrease) in cash and cash equivalents	<u>65,617,556</u>	<u>1,468,004</u>	<u>2,067,852</u>	<u>146,979</u>
CASH AND CASH EQUIVALENTS:				
Beginning of year	34,056,789	15,161,120	935,948	3,067,063
End of year	<u>\$ 99,674,345</u>	<u>\$ 16,629,124</u>	<u>\$ 3,003,800</u>	<u>\$ 3,214,042</u>

The notes to the financial statements are an integral part of this statement.

Major Fund			Governmental Activities Internal Service Funds
Housing Programs	Police Training Center	Totals	
\$ 796,023	\$ 117,216	\$ 43,962,097	\$ 20,342,777
(287,048)	(37,855)	(27,255,278)	(9,932,019)
(239,619)		(6,883,404)	(1,893,598)
(107,848)		(646,058)	(218,906)
<u>161,508</u>	<u>79,361</u>	<u>9,177,357</u>	<u>8,298,254</u>
			65,340
69,454		7,683,653	
		502,000	
		545,693	2,188,000
<u>(9,198)</u>		<u>(314,675)</u>	<u>(9,727,435)</u>
<u>60,256</u>	<u>-</u>	<u>8,416,671</u>	<u>(7,474,095)</u>
		84,402,494	
		(4,390,000)	
		(3,539,750)	(319,383)
		(24,858)	(68,839)
	100,000	4,934,815	
			104,532
(15,417)	(98,012)	(4,291,771)	(909,790)
		(30,123,708)	
<u>(15,417)</u>	<u>1,988</u>	<u>46,967,222</u>	<u>(1,193,480)</u>
24,710		5,051,547	2,077,993
24,710	-	5,051,547	2,077,993
231,057	81,349	69,612,797	1,708,672
304,467		53,525,387	40,003,298
<u>\$ 535,524</u>	<u>\$ 81,349</u>	<u>\$ 123,138,184</u>	<u>\$ 41,711,970</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2008

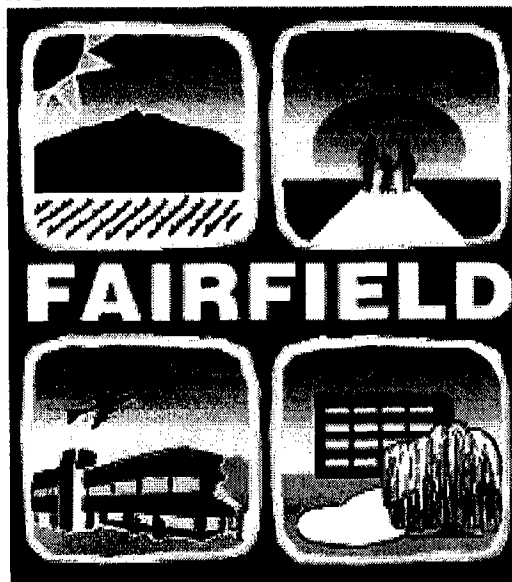
	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ 8,849,286	\$ (609,877)	\$ (7,794,182)	\$ (342,342)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	2,925,234	912,994	1,638,779	838,028
(Increase) decrease in receivable	179,077	288,628	(7,099)	(4)
(Increase) Decrease in inventory				10,740
(Increase) decrease in prepaid items	373,555	154,368		
(Increase) in advances to other funds				
(Decrease) in deferred revenue				24,394
Increase (decrease) in accounts payable	1,123,431	473,499	(278,524)	320,003
(Increase) in due from other funds				
(Decrease) in due to other funds				(143,500)
Total adjustment	4,601,297	1,829,489	1,353,156	1,049,661
Net cash provided by (used for) operating activities	\$ 13,450,583	\$ 1,219,612	\$ (6,441,026)	\$ 707,319
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	\$ 3,115,750			

The notes to the financial statements are an integral part of this statement.

Major Fund			
Housing Programs	Police Training Center	Totals	Governmental Activities Internal Service Funds
\$ 82,200	\$ (105,570)	\$ 79,515	\$ 4,430,331
67,334	179,386	6,561,755	1,182,369
20,031	(12,800)	467,833	546,181
		10,740	(9,619)
(23,117)		504,806	(8,128)
		24,394	979,103
15,060	18,345	1,671,814	(359,778)
		(143,500)	2,687,205
<u>79,308</u>	<u>184,931</u>	<u>9,097,842</u>	<u>3,867,923</u>
<u>\$ 161,508</u>	<u>\$ 79,361</u>	<u>\$ 9,177,357</u>	<u>\$ 8,298,254</u>
	\$ 13,179,731		

The notes to the financial statements are an integral part of this statement.

HEART OF SOLANO COUNTY



C A L I F O R N I A

Fiduciary Fund Financial Statements

CITY OF FAIRFIELD

Statement of Net Assets Fiduciary Funds June 30, 2008

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$ 8,717,625</u>
Total assets	<u><u>8,717,625</u></u>
LIABILITIES	
Accounts payable and other current liabilities	<u>8,717,625</u>
Total liabilities	<u><u>\$ 8,717,625</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements

1) Summary of Significant Accounting Policies

A. Organization and Reporting Entity

The City of Fairfield (the City) was incorporated on December 12, 1903, under the laws of the State of California. The City is a general law city administered by a Council-Manager form of government. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units are legally separate entities that meet any one of the following three tests:

1. The City appoints the voting majority of the board of potential component unit and:
 - is able to impose its will on the component unit and/or
 - is in a relationship of financial benefit or burden with the potential component unit.
2. The potential component unit is fiscally dependent upon the City.
3. The financial statements would be misleading if data from the potential component unit were not included.

Component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Based on the above criteria, the accompanying financial statements include the financial activities of these component units:

Fairfield Redevelopment Agency
Fairfield Public Financing Authority
Fairfield Public Improvement Corporation
Fairfield Water Facilities Improvement District No. 1
Fairfield Municipal Park Improvement District No. 1
Fairfield Storm Drain Facilities Improvement District No. 1
Fairfield Community Facilities Districts
Housing Authority of the City of Fairfield

In addition, individual financial statements are available for many of these entities and can be obtained by contacting the City of Fairfield. These entities are legally separate from each other; however, the City Council serves in separate session as the governing body of these related agencies. The financial activities of these entities are integrally related to those of the City and blended with those of the City. Blending involves aggregating/merging component unit data and data from the City at both the Government-Wide and Fund Financial Statement level.

The City also has an ownership interest in the Solano Water Authority, the California Joint Powers Risk Management Authority, and the Housing Authority's Risk Retention Pool. These entities have not met the criteria stated above, and their financial information is not combined with that of the City. The City's equity investment in the Solano Water Authority is reported in the Enterprise Fund.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Each of the component units or activities included in the Government-Wide and Fund Financial Statements is described as follows:

Fairfield Redevelopment Agency

The Fairfield Redevelopment Agency (the Agency) is organized under the State of California Community Redevelopment Law. The Agency has established the 1) Fairfield Regional Center Project Area, 2) Highway 12 Project Area, 3) City Center Project Area, 4) Cordelia Project Area, and 5) North Texas Street Project area. The projects within each area are financed through debt which is repaid by property tax increment revenues. The Agency participates in low and moderate housing activities including rehabilitation of a low and moderate income rental housing project. The City Council is the governing board of the Agency.

Fairfield Public Financing Authority

The Fairfield Public Financing Authority (the Financing Authority) is a public agency created under a joint exercise of powers agreement between the City and the Agency. The Financing Authority was created for the purpose of providing financing of public capital improvements for the City and the Agency. The City Council is the governing board of the Financing Authority.

Fairfield Public Improvement Corporation

The Fairfield Public Improvement Corporation (the Corporation) is a non-profit tax exempt corporation. The primary purpose of the Corporation is to render financial assistance to the City by issuing debt and financing the construction of public facilities. The Corporation is governed by a board of five directors. New board members are elected by the existing members although the City Council has the authority to disapprove any individual elected by the board.

Fairfield Water Facilities Improvement District No. 1

The Fairfield Water Facilities Improvement District No. 1 (the Water Improvement District) is a voter-approved improvement district formed in 1972 to finance and build water treatment and storage facilities. The City Council is the governing board of the Water Improvement District.

Fairfield Municipal Park Improvement District No. 1

The Fairfield Municipal Park Improvement District No. 1 (the Park Improvement District) is a voter-approved improvement district formed in 1972 to finance acquisition and construction of parks and recreational facilities. The City Council is the governing board of the Park Improvement District.

Fairfield Storm Drain Facilities Improvement District No. 1

The Fairfield Storm Drain Facilities Improvement District No. 1 (the Storm Drain Facilities Improvement District) is a voter-approved improvement district formed in 1972 to finance construction of storm drainage facilities. The City Council is the governing board of the Storm Drain Facilities Improvement District.

Fairfield Community Facilities Districts

The City of Fairfield Community Facilities Districts were created in accordance with the State of California Mello-Roos Community Facilities Act of 1972. The Districts were formed to levy special taxes, issue bonds, and obtain loans supported by special taxes for open space and general traffic and street improvements. The City Council is the governing board of the Fairfield Community Facilities District.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Housing Authority of the City of Fairfield

The Housing Authority of the City of Fairfield (the Housing Authority) is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through Federal assistance programs and low/moderate income housing programs. The Housing Authority is governed by a Board of Commissioners composed of five City Council members and two tenants of the Housing Authority.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. These statements implement all the applicable GASB statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City and affiliated agencies are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Government - Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in governmental fund balances as presented in these statements to the net assets presented in the Government-Wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period (the City considers all revenues available if they are collected within 60 days after year end). Property taxes, sales tax, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City of Fairfield reports the following major governmental funds:

The General fund is the general operating fund of the City. It is used to account for all financial resources except those which are restricted as to use.

The Redevelopment Special Revenue fund is used to account for the Redevelopment Agency's low-mod housing activities.

The Redevelopment Debt Service fund accounts for tax increment revenue and other miscellaneous revenue as well as payments of principal and interest on Redevelopment Agency debt.

The City Capital Projects fund is used to account for construction projects. The primary sources of funding have been City-levied development taxes, State Gas Tax, Local Transportation Tax, Traffic Safety funds and temporary loans to projects.

The Redevelopment Capital Projects fund accounts for transactions related to proceeds from bonds and other resources and their use to perform redevelopment related activities within specific redevelopment project areas.

The Assessment and Improvement District's Capital Projects fund accounts for construction projects financed through assessments and issuance of bonds that benefit the properties against which the special assessments are levied. This fund also includes Community Facilities and Benefit Districts.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund. The City has presented all proprietary funds as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements. Internal Service Funds account for the following activities: Central Stores, Automotive Services, Communication Services, Intra-governmental Loans, Insurance and Public Buildings.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City of Fairfield reports the following major proprietary fund types:

The Water Utility Fund accounts for the operations of the water system. This is a self-supporting activity which provides water services on a user charge basis to residences and businesses located in the City.

The North Bay Treatment Plant is used to account for the operations of a joint water treatment plant built by the cities of Fairfield and Vacaville. This plant supplies treated water to both the cities. City of Fairfield is the designated administrator and operator of the plant.

The Transportation fund accounts for the operations of the City's transportation system for a fixed route and demand response service which, along with fare box revenues, receives grants from the Transportation Development Act (TDA) and the Federal Transit Administration (FTA).

The Golf Course fund accounts for the operations of the two City owned public golf courses (Rancho Solano and Paradise Valley). The revenue generated from the courses is used to pay the debt service payments on the bond issues with which the courses were constructed.

The Housing Program accounts for the operations and maintenance of Senior Manor, a senior housing complex purchased by the Housing Authority.

The Police Training Facility fund accounts for the operations of the new training facility built by the City of Fairfield. The facility includes twenty 25-yard pistol lanes, six 100-yard rifle range, three driving simulators, force option simulator, conference room, and classroom along with other miscellaneous training rooms. The facility is one of the only training centers which offers such a wide range of on-site training in Northern California and will be used by surrounding public safety agencies to support the operational costs.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting. Agency activities include Other Deposits, Payroll Trust, Solid

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Waste, Fairfield-Suisun Sewer District, Downtown Improvement District, North Texas Business Improvement District, Solano Animal Control, Green Valley Maintenance District, Tri-City County Regional Parks and Open Space Group, and Tourism Business Improvement District.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Investments

In accordance with Governmental Accounting Standards Board Statement Number 31 (GASB 31), investments are recorded at fair value; changes in fair value are included with investment income in the operating statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

Restricted Cash and Investments

In the Proprietary, Special Revenue, Debt Service, and Capital Projects funds, certain proceeds of debt issues, as well as certain resources, are set aside for their repayment and classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants and/or other agreements.

Unbilled Services Receivable

Utility Revenue is recorded when earned. Customers are billed bi-monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventories and Prepaid Items

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Special Assessments Receivables/Deferred Revenue/Unearned Revenue

The special assessments receivables represent the principal and interest portion of unpaid assessments on real property to provide for the payment of outstanding special assessment bonds. Revenues are recognized when annual assessments are levied (July 1) because of the Teeter Plan (described on page 51). In the Government-wide

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Financial Statements, the total amount of special assessments which have been levied in the current year and are due in the future years is recorded as receivables and revenue. Whereas, special assessments which have not been levied in the current year and are not due until future years are recorded as receivables with an offset to deferred revenue.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at \$5,000 and infrastructure at \$100,000. Donations or contributions of capital assets are recorded at fair market value when received. Land held for resale is valued at the lower of cost or estimated net realizable value and is recorded in the special revenue and capital projects funds for redevelopment.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Buildings	30-60 years
Improvements.....	30-60 years
Equipment.....	5-60 years
Infrastructure.....	25-60 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure prior to June 30, 1980 into the Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system, water purification and distribution system, sewer and water pipes system, park and recreation lands and improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2000 and has completed an update for June 30, 2008. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, is calculated by using the straight-line method for depreciation using the industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Compensated Absences Payable

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and related expenses and liabilities are reported.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Fund Financial Statements

In governmental funds, expenditures and liabilities related to compensated absences are recognized only if they have matured. Thus, the liability that is reported includes the amount of unused reimbursable leave payable to employees who had terminated their employment at the end of the fiscal year. In proprietary funds, compensated absences are expensed and funded by the various funds in the period they are earned.

Implementation of New GASB Pronouncements

In 2008, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension*
- Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*

C. Stewardship, Compliance, and Accountability

Budgetary Information

The City adopts annual budgets for the General and Special Revenue Funds. The City adopts project (versus annual) budgets for the Capital Project Funds. The City also adopts annual budgets for the Enterprise Funds, although it is not legally required to do so. The Debt Service Funds' budgets are adopted when the debt issuances are authorized. The City uses the following procedures in establishing the annual budgets and financial plans: After January 1, the departments prepare estimates for required appropriations for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and forecast revenues for the fiscal year. A ten-year financial plan for all funds is included in the proposed budget. The initial budget is presented to the City Manager and the City staff for review. Prior to July 1, the proposed budget is submitted to the City Council and public hearings are conducted at the City Council meetings. After the public hearings are concluded and the public comments are considered, the City Council adopts the budget resolutions. The approved budgets may be amended by the City Council during the year, and were so amended in fiscal year 2008, in accordance with legally adopted budget practices. The effect of the amendments was not material in relation to the original appropriations.

For the General Fund, the City uses an "Expenditure Control Budget" (ECB) whereby funds are appropriated by department without line item detail, and unexpended prior year appropriations are carried forward to the current budget year. The departments (Administrative, Human Resources, Finance, Public Works, Police, Fire, Community Development, and Community Services) are authorized to spend the unexpended prior year appropriation in the current fiscal year in addition to the current year ECB. Total appropriations for General Fund functions are adjusted annually by the sum of the percent change in the San Francisco Consumer Price Index and the percent change in housing units in the City. City Council approval is required to transfer General Fund operating budget appropriations between departments; however, departments may exceed the departmental appropriations provided the total General Fund expenditure control budget and the unspent carryover budget is not exceeded. The government's department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the department level. A deflator procedure is established for reducing the unspent prior year appropriations that are carried over into the next fiscal year in the event of a deficiency of General Fund balance and resources.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

The following table represents the budget carryovers for each department in the General Fund:

EXPENDITURE CONTROL BUDGET CARRYOVER CALCULATION FOR 2007/08 FISCAL YEAR

	Carryover 6/30/2007	ECB Appropriation	Department Revenue	Department Expense	Carryover Adjustment	Carryover 6/30/2008
Administration	\$462,698	\$ 254,191	\$ 3,606	\$ 471,490	\$ (230,145)	\$ 18,860
Human Resources	326,616	798,561	3,504	764,887	(333,199)	30,595
Finance	822,430	2,970,314	4,777	2,929,360	(750,987)	117,174
Community Services	1,506,286	5,334,031	2,368,248	7,254,580	(1,663,802)	290,183
Community Development	169,934	779,545	-	785,969	(132,071)	31,439
Police	1,332,834	28,466,665	681,793	28,815,755	(512,907)	1,152,630
Fire	736,532	12,752,227	339,608	13,495,540	206,995	539,822
Public Works	2,495,833	11,112,927	457,036	10,121,206	(3,539,742)	404,848
Totals	\$7,853,163	\$62,468,461	\$3,858,572	\$64,638,787	(\$6,955,858)	\$2,585,551

Note: Carryover adjustment results in all departments ending with a carryover equal to 4% of 2007/08 expense, per section 2 of Resolution 2007-157. Department expense includes transfers to POB and certain other adjustments for carry-over calculations.

For Special Revenue Funds, budgets are appropriated and approved by the City Council at the fund level. Original appropriations for all General and Special Revenue Funds are carried forward and held until spent, with the exception of the Housing Assistance Fund, whose appropriations lapse at year end. The budgets for the General and Special Revenue Funds are adopted on the modified accrual basis (GAAP) consistent with the basis used for financial reporting.

Encumbrances

Encumbrance accounting, under which purchase orders, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the fund balance, is employed in the governmental fund types. Encumbrances are reported as reserved fund balances since they do not constitute expenditures or liabilities.

2) Property Taxes

Property taxes are levied and become a lien on real property at January 1, based on the assessed values determined by the Solano County Assessor (the County). Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Property tax revenues are recognized when levied.

Article XIII of the California Constitution (more commonly known as "Proposition 13") limits ad valorem taxes on real property to 1 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2 percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of 2/3 of the qualified electors.

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, cities, schools and special districts' operating expenditures. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies with historical tax delinquency rates less than three percent, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of taxes levied. This method was placed in effect by Solano County in the 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

3) Interfund Transactions

The City had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. As discussed above, these transactions are classified as transfers in/out, due to/from other funds or advances to/from other funds. The following tables summarize interfund transactions (as presented in the City's Fund Financial Statements) for the fiscal year ended June 30, 2008:

	Special Revenue				Debt Service	
	General Fund	Maint. Districts	Public Safety	Low/Mod Income Housing	Redev. Agency	Pension Obligation
Transfers Out: (fund making transfer)						
General Fund		\$ 155,000				\$ 1,904,485
Special Revenue Funds:						
State Gas Tax						
Public Safety	\$ 427,000					
Public Safety Enhancement	6,582,659					122,618
Development Tax						
Special Programs						2,487
Maintenance Districts						7,219
Low/Moderate Income Housing					\$ 110,000	53,749
Comm. Devel. Block Grant						3,343
Housing Assistance						16,574
Total Special Revenue Funds	7,009,659				110,000	205,990
Debt Service Funds:						
Redevelopment Agency						
Assessment & Improvement Dist.						
Total Debt Service Funds						
Capital Project Funds:						
Redevelopment Agency					1,550,000	69,797
Assessment & Improvement Dist.			\$ 25,000			2,912
Total Capital Project Funds			25,000		1,550,000	72,709
Enterprise Funds:						
Water Utility						137,057
North Bay Treatment Plant						78,441
Transportation						25,093
Golf Courses		61,000				3,886
Housing Programs						9,198
Total Enterprise Funds		61,000				253,675
Internal Service Funds:						
IGS Loan Fund	3,836,255			\$ 425,000		5,243
Stores						30,476
Automotive Services						13,146
Communication Services						3,336
Public Buildings						17,037
Insurance						
Total Internal Service Funds	3,836,255			425,000		69,238
Totals	\$ 10,845,914	\$ 216,000	\$ 25,000	\$ 425,000	\$ 1,660,000	\$ 2,506,097

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Transfer-in (fund receiving transfers)

Capital Projects		Enterprise		Internal Service		
City Projects	Redev Agency	Assessmnt & Imp Districts	Golf Courses	Insurance	Public Buildings	Totals
			\$ 545,693	\$ 1,940,000		\$ 4,545,178
\$ 3,015,460						3,015,460
						427,000
						6,705,277
2,797,934					\$ 248,000	3,045,934
						2,487
						7,219
						163,749
						3,343
						16,574
5,813,394					248,000	13,387,043
	\$ 3,226,865					3,226,865
		\$ 130,000				130,000
	3,226,865	130,000				3,356,865
						1,619,797
5,524,780						5,552,692
5,524,780						7,172,489
						137,057
						78,441
						25,093
						64,886
						9,198
						314,675
5,396,942						9,658,197
						5,243
						30,476
						13,146
						3,336
						17,037
5,396,942						9,727,435
\$ 16,735,116	\$ 3,226,865	\$ 130,000	\$ 545,693	\$ 1,940,000	\$ 248,000	\$ 38,503,685

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Due From Other Funds: (fund making loan)	Due to Other Funds (fund receiving loan):				Totals
	Special Revenue	Capital Projects		Enterprise	
	CDBG	Assessment Districts	City Projects	Golf Courses	
Special Revenue Funds:					
Low/Mod Income Housing	\$ 71,229				\$ 71,229
Internal Service Funds:					
IGS Loan Fund	177,760	\$ 20,000	\$ 500,000	\$ 16,500	714,260
Totals	\$ 248,989	\$ 20,000	\$ 500,000	\$ 16,500	\$ 785,489

Advances to Other Funds: (fund making loan)	Advances From Other Funds: (fund receiving loan)				Totals
	Special Revenue	Debt Service	Capital Projects	Enterprise	
	Low/Mod Income Housing	Redev. Agency	Redev. Agency	Golf Courses	
Special Revenue Funds:					
Home Program	\$ 269,685				\$ 269,685
Low/Mod Income Housing		\$ 2,824,015	\$ 1,077,269		3,901,284
Development Tax		682,057		\$ 5,212,418	5,894,475
Total Special Revenue Funds	269,685	3,506,072	1,077,269	5,212,418	10,065,444
Internal Service Funds:					
IGS Loan Fund		88,008,716		11,116,649	99,125,365
Totals	\$ 269,685	\$ 91,514,788	\$ 1,077,269	\$ 16,329,067	\$ 109,190,809

4) Cash and Investments

The City manages the cash of the City and affiliated agencies on a pooled basis. Funds are invested in accordance with Section 53601 of the State government code and the City's established investment policy. All monies not required for immediate expenditure are invested or deposited to earn the maximum yield consistent with safety and liquidity. All investments have the City as registered owner or are kept in the custody of the City or a qualified safekeeping institution. A quarterly report is submitted to the City Manager and City Council showing a description of the investments, purchase price, purchase date, current market value for all securities with a maturity of more than 12 months, maturity date, par value, discount or premium if any, cost, yield, safekeeping institution for each deposit or investment, average weighted maturity and effective yield of the portfolio. A portion of the portfolio is

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

deposit or investment, average weighted maturity and effective yield of the portfolio. A portion of the portfolio is managed by third party investment managers.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
- Custodial Credit Risk
- Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

A. Deposits

The carrying amounts of the City's cash deposits at June 30, 2008 were \$810,598 and the bank balance was \$1,705,508. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name as discussed below.

The California Government code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

B. Investments

The investment policy restricts investments to the following:

Certificates of Deposit must be FDIC insured or fully collateralized. They must also be purchased from banks or financial institutions located in California.

Negotiable Certificates of Deposit may not exceed 30% of the City's invested funds.

Bankers' Acceptances must be issued by domestic branches or subsidiaries of foreign banks, the short term paper of which is rated in the highest category by Moody's Investor Services, Inc. ("Moody's") or by Standard and Poor's Corporation ("Standard and Poor's"). The issuing bank must be domiciled in a country rated AAA by Moody's, or by Fitch.

Treasury Bills and Notes with a maximum maturity of five years.

Federally-Sponsored Credit Agency Securities with a maximum maturity of five years.

Repurchase Agreements may only be purchased from the 15 largest banks in the U.S. and are used solely as a short-term investment, not to exceed 90 days. Repurchase agreements are supported by eligible investments, of which physical delivery to or safekeeping documentation from a qualified safekeeping institution is required.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Local Agency Investment Fund (LAIF) deposits may be made in this fund up to the State of California limit of \$40,000,000 for each government entity. The City and its affiliated agencies have four accounts with LAIF, therefore the maximum deposit that may be made is \$160,000,000.

Savings Accounts, Money Market Accounts and General Checking Accounts may be used to deposit idle cash. No account may be opened without written authorization from the City Treasurer.

Commercial Paper must be rated prime quality (A1 by Moody's or P1 by Standard and Poor's). Eligible paper is further limited to notes issued by corporations organized and operating within the U.S. and having total assets in excess of \$500,000,000 and having an "A" or higher rating in other long term debt.

Corporate Medium-Term Notes must be rated at least A by both Moody's and Standard and Poor's. The maximum maturity of medium-term notes may not exceed five years. No more than 25% of the City's portfolio may be invested in this category. "Asset Backed Securities" (i.e., credit card securities) purchases are only allowed with approval of the Finance Director; must be rated AAA; and no more than 20% of the portfolio may be invested in this category.

Reverse Repurchase Agreements, Financial Futures and Options, U.S. Zero Coupons and Bonds and Small Business Administration Guaranteed Notes may not be invested in without specific instruction from the Finance Director.

Wire Transfers - Non repetitive wire transfers to vendors may only be made to accounts in the name of the City or the Agency and must be specifically approved by any two of the following four individuals: Finance Director, Financial Services Manager, Revenue Officer, or Principal Accountant.

C. Risk Disclosures

Interest Rate Risk is defined as the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, State law and the City's investment policy limits the City's investment portfolio to maturities not to exceed five years from the time of purchase. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the fair values of investments held by the City grouped by maturity at June 30, 2008:

Maturity	
Current to one year (365 days)	\$ 128,719,407
One to two years (366 to 730 days)	40,197,658
Two to five years (731 to 1825 days)	95,895,084
	<u>\$ 264,812,149</u>

Credit Risk This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Generally, this is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization (NRSRO) (see credit quality ratings in section D). The City's credit quality risk policy is discussed in section B above, within the individual security types.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Custodial Credit Risk This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer), the City will not be able to recover the value of its investment or collateral securities that are held by the counterparty. All of the City's investments in securities are held in the name of the City and are held via book entry at the location of the City's third party custodian. Therefore, the City has no custodial credit risk.

Concentration Risk Credit risk also can arise in the wake of a failure to adequately diversify investments. The City's investment policy is attempt to limit the City's investments in any one bank or corporation to no more than 20% of the total portfolio (at the time of purchase). Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total City's investment portfolio are as follows:

U.S. Agencies	Amount Invested	Percentage of Investments
Federal National Mortgage Association (FNMA)	\$ 26,278,727	9.92%
Federal Home Loan Bank (FHLB)	42,355,344	15.99%
Federal Home Loan Mortgage Corporation (FHLMC)	34,102,575	12.88%
	<u>\$ 102,736,646</u>	<u>38.80%</u>

Investments in Local Agency Investment Funds

The City's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2008, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flow from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2008, the City had \$75,996,217 invested in LAIF which had invested 14.72% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2008, by multiplying its account balance with LAIF of \$76,000,000 by a fair value factor determined by LAIF. The fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .999950219.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

D. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2008:

	Government-Wide Statement of Net Assets			Funds Financials	
	Governmental Activities	Business Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 192,504,252	\$ 52,308,792	\$ 244,813,044	\$ 8,717,625	\$ 253,530,669
Restricted Cash and Investments	37,928,204	70,829,392	108,757,596		108,757,596
	<u>\$ 230,432,456</u>	<u>\$ 123,138,184</u>	<u>\$ 353,570,640</u>	<u>\$ 8,717,625</u>	<u>\$ 362,288,265</u>

At June 30, 2008, the City had the following deposits and investments (with corresponding credit quality ratings):

	Credit Quality Ratings	Fair Value
City Treasury:		
Investments		
Securities of US Gov't Agencies		
FNMA	AAA	\$ 26,278,727
FHLB	AAA	42,355,344
FHLMC	AAA	34,102,575
FFCB	AAA	11,360,020
GNMA	AAA	2,783
TVA	AAA	1,652,894
US Treasury Notes	Not rated	25,401,079
Total Securities of US Gov't Agencies		141,153,422
Medium Term Notes	AAA	8,359,886
Medium Term Notes	AA	15,093,866
Medium Term Notes	A	990,630
Commercial Paper	A-1+	1,125,000
Mutual Funds	AAA	22,093,128
Local Agency Investment Funds	Not rated	75,996,217
Total City Treasury		264,812,149
Cash with Fiscal Agents:		
Deposits		810,598
Investments		
Securities of US Gov't Agencies		
FNMA	AAA	10,990,428
FHLB	AAA	1,801,177
FHLMC	AAA	3,981,873
Mutual Fund	AAA	79,892,040
Total Cash with Fiscal Agents		97,476,116
Total Cash and Investments		<u>\$ 362,288,265</u>

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

5) Receivables

Receivables as of June 30, 2008 for the fund financial statements, including the applicable allowances for uncollectable accounts, are as follows:

Governmental Activities	Major Funds						Other	Total
	General Fund	Redevelopment Agency Debt Service	City Capital Projects	Redevelopment Agency Capital Projects	Redevelopment Agency Low Mod	Assessment District Cap Proj	Non-Major Governmental Funds	
Taxes	\$ 1,374,564						\$ 32,504	\$ 1,407,068
Interest and other	371,889	\$ 390,652	\$ 446,469	\$ 20,052	\$ 119,159	\$ 158,049	225,883	1,732,153
Accounts	745,526		629,336		6,141		9,090,543	10,471,546
Intergovernmental			1,742,721				20,000	1,762,721
Notes		3,967,431		3,921,934	15,139,431		14,585,415	37,614,211
Total Receivables, Net	\$ 2,491,979	\$ 4,358,083	\$ 2,818,526	\$ 3,941,986	\$ 15,264,731	\$ 158,049	\$ 23,954,345	52,987,699

Add Internal Service Fund Receivables

1,292,198

Total Receivables, Net

\$ 54,279,897

Business-Type Activities

	Major Funds						Total
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses	Housing Programs	Police Training Center	
Interest and other	\$ 438,493	\$ 153,378	\$ 30,457	\$ 7,298	\$ 4,621		\$ 634,247
Accounts	4,887,623		8,854	34,956	81,666	\$ 12,800	5,025,899
Intergovernmental		854,578	3,347,244				4,201,822
Total Receivables, Net	\$ 5,326,116	\$ 1,007,956	\$ 3,386,555	\$ 42,254	\$ 86,287	\$ 12,800	\$ 9,861,968

6) Net Pension Asset

The City is a member of the California Public Employees' Retirement System (PERS), a public employees defined benefit retirement program. In fiscal year 2004/2005, the City issued \$41,745,000 in Pension Obligation Bonds in order to refund the City's unamortized, unfunded actuarial accrued liability with PERS. This payment to PERS resulted in the City recording (in fiscal 04/05) a Net Pension Asset in the Government Wide Financial Statements in the original amount of \$40,695,000. This amount is being amortized on a straight line basis over the thirty year life of the bonds. The balance of the Net Pension Asset at June 30, 2008 is \$36,625,500.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

7) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the "basic approach" as defined by GASB Statement No. 34 for infrastructure reporting. All capital and infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on infrastructure assets as of June 30, 2008:

<u>Asset Description</u>	<u>Cost to Build June 30, 2008</u>	<u>Accumulated Depreciation</u>	<u>Balance June 30, 2008</u>
Governmental activities:			
Bridges and box culverts	\$ 22,255,417	\$ (9,908,383)	\$ 12,347,034
Retention and catch basins	6,446,966	(2,441,000)	4,005,966
Manholes	17,795,722	(6,523,631)	11,272,091
Pavement	115,421,481	(61,234,431)	54,187,050
Pump stations - sewer	784,954	(382,964)	401,990
Sewer pipes	11,784,894	(4,945,491)	6,839,403
Sidewalks, curbs and gutters	36,957,531	(18,095,403)	18,862,128
Storm drains and open channels	41,013,273	(22,503,931)	18,509,342
Street lights	12,551,317	(6,285,832)	6,265,485
Traffic signals	8,389,447	(6,128,205)	2,261,242
Total governmental activities	<u>273,401,002</u>	<u>(138,449,281)</u>	<u>134,951,731</u>
Business - type activities:			
Water	<u>92,313,410</u>	<u>(50,719,769)</u>	<u>41,593,641</u>
Total business - type activities	<u>92,313,410</u>	<u>(50,719,769)</u>	<u>41,593,641</u>
Total infrastructure assets	<u><u>\$ 365,714,412</u></u>	<u><u>\$ (189,169,050)</u></u>	<u><u>\$ 176,545,372</u></u>

For the year ended June 30, 2008, depreciation expense on capital assets was charged to the governmental functions as follows:

Administration	\$ 482,918
Finance	954
Police	387,235
Fire	427,647
Public Works	8,103,943
Community Development	31,829
Community Services	<u>536,065</u>
Governmental Funds Depreciation Expense	9,970,591
Internal Service Depreciation Expense	<u>1,182,369</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 11,152,960</u></u>

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Capital Assets of the City for the year ended June 30, 2008, consisted of the following:

Asset Description	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Governmental activities:					
Non-depreciable assets:					
Land	\$ 29,633,452	\$ 3,357,736	\$ (80,000)	\$ (856,126)	\$ 32,055,062
Construction in progress	17,508,818	12,949,277		(13,049,915)	17,408,180
Total Non-depreciable assets	47,142,270	16,307,013	(80,000)	(13,906,041)	49,463,242
Depreciable assets:					
Land improvements	9,015,482	196,114		726,310	9,937,906
Buildings and improvements	61,163,325	333,736	(404,298)		61,092,763
Machinery and equipment	28,757,429	2,122,610	(1,972,754)		28,907,285
Infrastructure	263,122,280	10,278,722			273,401,002
Total depreciable assets	362,058,516	12,931,182	(2,377,052)	726,310	373,338,956
Accumulated depreciation:					
Land improvements	(1,321,194)	(269,139)			(1,590,333)
Buildings and improvements	(28,554,559)	(1,674,182)	404,298		(29,824,443)
Machinery and equipment	(17,212,554)	(2,155,175)	1,972,754		(17,394,975)
Infrastructure	(131,394,817)	(7,054,464)			(138,449,281)
Total accumulated depreciation	(178,483,124)	(11,152,960)	2,377,052	-	(187,259,032)
Total depreciable assets, net	183,575,392	1,778,222	-	726,310	186,079,924
Total governmental activities	230,717,662	18,085,235	(80,000)	(13,179,731)	235,543,166
Business - type activities:					
Non-depreciable assets:					
Land	14,326,894			856,126	15,183,020
Construction in progress	24,464,261	30,123,707			54,587,968
Total Non-depreciable assets	38,791,155	30,123,707	-	856,126	69,770,988
Depreciable assets:					
Land improvements	11,655,845	98,131			11,753,976
Buildings and improvements	56,736,728	190,557	(88,208)	11,733,380	68,572,457
Machinery and equipment	22,857,273	3,598,343	(580,032)	590,225	26,465,809
Infrastructure	88,792,918	3,520,492			92,313,410
Total depreciable assets	180,042,764	7,407,523	(668,240)	12,323,605	199,105,652
Accumulated depreciation:					
Land improvements	(6,341,322)	(420,056)			(6,761,378)
Buildings and improvements	(22,444,722)	(1,523,291)	88,208		(23,879,805)
Machinery and equipment	(17,279,007)	(2,004,873)	580,032		(18,703,848)
Infrastructure	(48,106,235)	(2,613,534)			(50,719,769)
Total accumulated depreciation	(94,171,286)	(6,561,754)	668,240	0	(100,064,800)
Total depreciable assets, net	85,871,478	845,769	-	12,323,605	99,040,852
Total business - type activities	124,662,633	30,969,476	-	13,179,731	168,811,840
Total net capital assets	\$ 355,380,295	\$ 49,054,711	\$ (80,000)	\$ -	\$ 404,355,006

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

8) Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities as of June 30, 2008 for the fund financial statements are as follows:

Governmental Activities	Major Funds						Non-Major Fund Other Governmental Funds	Total Governmental Funds
	General Fund	Redevelopment Agency Low Mod	Redevelopment Agency Debt Service	City Capital Projects	Redevelopment Agency Capital Projects	Assessment & Improvement District Capital Projects		
Accounts Payable	\$ 655,840	\$ 38,553	\$ 189,960	\$ 2,937,215	\$ 101,058	\$ 33,053	\$ 507,568	\$ 4,463,247
Deposit Payable	54,755			1,889,617			122,112	2,066,484
Total Accounts Payable & Other Current Liabilities	\$ 710,595	\$ 38,553	\$ 189,960	\$ 4,826,832	\$ 101,058	\$ 33,053	\$ 629,680	6,529,731
Add: Internal Service Accounts Payable and Other Current Liabilities								603,789
Total Accounts Payable & Other Current Liabilities								\$ 7,133,520

Business-Type Activities	Major Funds						Total
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses	Housing Programs	Police Training Facilities	
Accounts Payable	\$ 3,424,985	\$ 813,160	\$ 670,748	\$ 523,969	\$ 26,196	\$ 18,345	\$ 5,477,403
Deposit Payable	189,670		2,434	134,703	20,344		347,151
Total Accounts Payable & Other Current Liabilities	\$ 3,614,655	\$ 813,160	\$ 673,182	\$ 658,672	\$ 46,540	\$ 18,345	\$ 5,824,554

9) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2008:

	Balance July 1, 2007	Incurred or Issued	Satisfied or Matured	Balance June 30, 2008	Due within One Year	More than One Year
Governmental Activities:						
General Obligation bonds	\$ 12,393,808		\$ 421,890	\$ 11,971,918	\$ 421,890	\$ 11,550,028
Pension Obligation bonds	40,945,000		4,600,000	36,345,000		36,345,000
Special Assessment District bonds	6,960,000		960,000	6,000,000	395,000	5,605,000
Open Space revenue bonds	680,000		70,000	610,000	70,000	540,000
Community Facilities District bonds		\$ 33,605,000		33,605,000		33,605,000
Redevelopment revenue bonds	73,940,000		3,665,000	70,275,000	3,800,000	66,475,000
Long-term notes payable	6,484,249	30,000	545,914	5,968,335	431,555	5,536,780
Compensated absences	10,310,760	3,375,193	1,458,410	12,227,543	1,712,542	10,515,001
Claims and judgements payable	7,652,409	339,904	1,489,313	6,503,000	1,582,949	4,920,051
Total Governmental Activities	\$ 159,366,226	\$ 37,350,097	\$ 13,210,527	\$ 183,505,796	\$ 8,413,936	\$ 175,091,860
Business-Type Activities:						
Utility-Water revenue bonds	\$ 48,560,000	\$ 84,466,697	\$ 3,750,000	\$ 129,276,697	\$ 3,915,000	\$ 125,361,697
Recreational revenue bonds	12,435,000		640,000	11,795,000	670,000	11,125,000
Total Business-Type Activities	\$ 60,995,000	\$ 84,466,697	\$ 4,390,000	\$ 141,071,697	\$ 4,585,000	\$ 136,486,697

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

General Obligation Debt

The general obligation debts are repaid from property tax revenues, and the City is obligated under the law to levy a property tax sufficient to service the debt.

The City has contracted to pay the Solano County Water Agency for the North Bay Aqueduct project costs. The unpaid obligation of \$11,971,918 is payable in annual installments through 2035/36. The City is obligated under the agreement to levy a zone of benefit property tax sufficient to service the contractual payments. The debt does not bear interest. The debt is serviced through the Debt Service Fund.

The annual debt service requirements for the General Obligation Debt are as follows:

Fiscal Year Ending	General Obligation Debt		
	Principal	Interest	Total
2009	\$ 421,890		\$ 421,890
2010	421,890		421,890
2011	421,890		421,890
2012	421,890		421,890
2013	421,890		421,890
2014 - 2018	2,109,450		2,109,450
2019 - 2023	2,109,450		2,109,450
2024 - 2028	2,109,450		2,109,450
2029 - 2033	3,534,118		3,534,118
Total	\$ 11,971,918	\$ -	\$ 11,971,918

Pension Obligation Bonds

The City is a member of the California Public Employees' Retirement System (PERS), a public employees defined benefit retirement program. In fiscal year 04/05, the City issued \$41,745,000 in order to refund the City's unamortized, unfunded actuarial accrued liability with PERS (see Note 11 for more information on PERS pension plan). Series 2004 A is a variable rate debt in the face amount of \$8,920,000; series 2004 B is fixed rate debt and was issued in the face amount of \$20,995,000; and series 2005 A2 is variable rate debt and was issued in the face amount of \$11,830,000. Series A2 has had bond calls in the current year to bring the balance down to \$6,430,000. The fixed rate debt bears interest at rates ranging from 4.82% to 5.42% and matures in 2034. At present time, the variable rate debt bears interest at a weekly rate and adjusts weekly (rate was 2.48% at June 30, 2008) relative to the LIBOR (London International Bank Offering Rate); the variable rate debt also matures in 2034. With respect to the variable rate debt, the City can, at its option, convert the interest rate to a monthly rate, a long-term rate, or a fixed rate. These Pension Obligation Bonds (POB's) are backed by the full faith and credit of the City. Payment of the variable rate bonds, series 2004 A and 2005 A2 are secured by a letter of credit; payment of the fixed rate series 2004 B bonds is insured by a financial guaranty insurance policy.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

At June 30, 2008, the outstanding balance is \$36,345,000. The debt is serviced through the debt service fund and the annual debt service requirements for the POB's are as follows:

<u>Fiscal Year Ending</u>	<u>Pension Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	-	\$ 1,974,512	\$ 1,974,512
2010	-	1,974,512	1,974,512
2011	-	1,974,512	1,974,512
2012	-	1,974,512	1,974,512
2013	-	1,974,512	1,974,512
2014 - 2018	\$ 1,660,000	9,762,858	11,422,858
2019 - 2023	5,165,000	8,964,969	14,129,969
2024 - 2028	9,750,000	7,097,851	16,847,851
2029 - 2033	15,750,000	3,821,849	19,571,849
2034 - 2038	4,020,000	219,248	4,239,248
Total	\$ 36,345,000	\$ 39,739,335	\$ 76,084,335

Redevelopment Tax Allocation Bonds

The Highway 12 Redevelopment Project Tax Allocation Bonds, Series 1985, were issued by the Agency and purchased by the Intragovernmental Loan Fund (Internal Service Fund) of the City at their par value of \$16,180,000, less a discount of \$809,000, in December 1985. The Intragovernmental Loan Fund currently holds \$954,351 of these bonds. The bonds bear interest at rates ranging from 8% to 9%, and interest is payable only as tax increment funds become available to the Agency. As of June 30, 2008, the outstanding balance is \$954,351.

Since both the Redevelopment funds and the Intergovernmental Loan Fund (Internal Service) are included in governmental activities at the Government Wide Statement of Net Assets, the "Investment in Bonds of Redevelopment Agency" and the corresponding Long-Term debt have been eliminated. Therefore, the debt service of the 1985 Tax Allocation Bonds has been removed for tie-out (to Government-Wide Statement of Net Assets) purposes.

Special Assessment District Bonds

Various bonds were issued pursuant to the 1915 Assessment Act and are secured by and repaid from assessments levied against the benefiting property. These bonds are limited obligations of the City payable solely from assessments, specific reserves, and the proceeds from property foreclosures. At June 30, 2008, the outstanding balance is \$6,000,000 with interest ranging from 4.25% to 7.7%.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

The debt service requirements on the assessment district bonds are as follows:

Fiscal Year Ending	Assessment District Bonds		
	Principal	Interest	Total
2009	\$ 395,000	\$ 426,555	\$ 821,555
2010	425,000	397,075	822,075
2011	455,000	365,225	820,225
2012	485,000	330,796	815,796
2013	525,000	293,414	818,414
2014 - 2018	2,980,000	850,706	3,830,706
2019 - 2023	735,000	27,103	762,103
Total	\$ 6,000,000	\$ 2,690,874	\$ 8,690,874

Open Space Revenue Bonds

In May, 1998, the City issued \$1,160,000 of revenue bonds to refund a previous bank loan, which was originally used to assist the Solano County Farmlands and Open Space Foundation in acquiring open space property known as Lynch Canyon. These bonds (\$610,000 outstanding as of June 30, 2008) are secured by the pledge of proceeds of special taxes from Community Facilities District #1 until the bonds are retired in 2018. In fiscal year 2008, CFD #1 revenue was \$257,015 while principal and interest on the bonds totaled \$101,930; debt service was 40% of pledged revenue. The debt bears interest ranging from 4.0% to 5.5%. The debt service requirements on the Open Space Revenue Bonds are as follows:

Fiscal Year Ending	Open Space Revenue Bonds		
	Principal	Interest	Total
2009	\$ 70,000	\$ 28,668	\$ 98,668
2010	80,000	25,140	105,140
2011	85,000	21,303	106,303
2012	85,000	17,265	102,265
2013	90,000	12,975	102,975
2014 - 2018	200,000	10,863	210,863
Total	\$ 610,000	\$ 116,213	\$ 726,213

Communities Facilities District (CFD) Bonds

In April, 2008, the City issued two separate bonds issues under the Mello-Roos Community Facilities Act of 1982, totaling to the amount of \$33,605,000. The first bond issued in the amount of \$15,510,000 was for the financing of public infrastructure facilities for the Communities Facilities District No. 3 in the North Cordelia area. These bonds are payable from special tax revenues which consist of a special tax levied on properties within the district. Interest rates on these bonds range from 3% to 5.75%

Also, in April 2008, the City issued \$18,095,000 for the City of Fairfield Community Facilities District No. 2007-1 (Fairfield Commons) for the purpose of financing the acquisition and construction of public improvements (the Northern Connector) in another portion of the North Cordelia area. These bonds are payable from the levy of special taxes on properties within this particular Community Facilities District. Interest rates on these bonds range from 5.25% to 7%.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

At June 30, 2008, the outstanding balance of both CFD bonds is \$33,605,000. The debt service requirements on the bonds are:

Fiscal Year	Community Facilities District Bonds		
Ending	Principal	Interest	Total
2009	\$ -	\$ 1,913,083	\$ 1,913,083
2010	25,000	2,099,350	2,124,350
2011	40,000	2,098,375	2,138,375
2012	60,000	2,096,800	2,156,800
2013	80,000	2,094,425	2,174,425
2014 - 2018	1,165,000	10,358,912	11,523,912
2019 - 2023	2,825,000	9,852,856	12,677,856
2024 - 2028	5,220,000	8,701,266	13,921,266
2029 - 2033	8,575,000	6,563,750	15,138,750
2034 - 2038	13,695,000	3,030,138	16,725,138
2039 - 2043	1,920,000	66,000	1,986,000
Total	\$ 33,605,000	\$ 48,874,954	\$ 82,479,954

Redevelopment Revenue Bonds

On August, 1, 2003, to take advantage of lower interest rates, the Redevelopment Agency issued \$84,265,000 in Revenue Bonds to refund (retire) the following debt issues: 1996 Redevelopment Tax Allocation Bond (original issue amount of \$4,565,000 related to the Casa Nova Mobile Home Park); the 1993 Redevelopment Revenue Bonds (original issue amount \$83,535,000); the 1994 Refunding Public Facility Lease Revenue Bonds (original issue amount \$5,364,000); the 1995 FPFA Revenue Bonds (original issue amount of \$2,500,000); and the 1989 FPFA Revenue Bonds (undefeased portion at original issue amount of \$5,360,000). As of June 30, 2008, the outstanding balance of the refunding issue is \$70,275,000. This new debt issue has interest rates ranging from 2.00% - 4.35% and has a final maturity date in 2029. The bonds are secured by a pledge of Redevelopment tax increment revenue until the bonds are retired in 2033. Debt service for fiscal 2008 was 23% of the total tax increment revenue. Tax increment revenue was \$29,034,311 while principal and interest on the bonds totaled to \$6,595,006.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

The debt service requirements on the redevelopment revenue bonds are as follows:

Fiscal Year Ending	Redevelopment Revenue Bonds		
	Principal	Interest	Total
2009	\$ 3,800,000	\$ 2,782,756	\$ 6,582,756
2010	3,955,000	2,629,081	6,584,081
2011	3,575,000	2,479,956	6,054,956
2012	3,710,000	2,335,756	6,045,756
2013	3,860,000	2,185,494	6,045,494
2014 - 2018	21,745,000	8,455,871	30,200,871
2019 - 2023	24,500,000	3,627,052	28,127,052
2024 - 2028	4,830,000	299,056	5,129,056
2029 - 2033	300,000	6,825	306,825
Total	<u>\$ 70,275,000</u>	<u>\$ 24,801,847</u>	<u>\$ 95,076,847</u>

Utility-Water Revenue Bonds

In April, 2003, the City issued \$9,280,000 in revenue bonds with interest rates ranging from 1.1% to 4.625% to defease and refund on a current basis the Water Enterprise 1993 Refunding Bonds. Although the refunding resulted in a loss on refinancing of \$246,656, the City reduced its debt service payments by \$1,278,790 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$987,287. The loss and the issuance costs are reported as "deferred charges" on the balance sheet and will be amortized over the next 20 years (shorter of the remaining life of the old debt or the life on the new debt). As of June 30, 2008 the remaining balance of the deferred liability is \$357,537. The 2003 Revenue Bonds with a maturity date of April 2023 are payable solely from and secured by the revenues received from the City's Municipal Water Utilities. Annual principal and interest payments on the bonds are expected to require less than 13% of net revenues. The total principal and interest remaining to be paid on the bonds is \$7,560,000 and \$2,888,125, respectively.

In March 2005, the City issued \$47,085,000 in revenue bonds with interest rates ranging from 3% to 5% to fully defease and refund the outstanding amount of \$51,680,562 of the 1996 revenue bonds with an interest rate ranging from 4.25% to 5.37%. Although the defeasance resulted in a loss on refinancing of \$429,364, the City reduced its aggregate debt service payments by \$10,327,093 over the next 12 years and also obtained an economic gain (difference between the present values of the old and new debt service payments) of \$3,590,228. The loss and the issuance costs on refinancing is reported as "deferred charges" on the balance sheet and will be amortized over the shorter of the remaining life of the new debt or the life of the old debt. In this case, the remaining life of the new debt and the life of the old debt being the same, the deferred amount on refunding is being amortized over the next 12 years. As of June 30, 2008 the remaining balance of the deferred liability is \$669,530. These Revenue Bonds mature in 2017 and are payable solely from and secured by the revenues received from the City's Municipal Water Utilities. Annual principal and interest payments on the bonds are expected to require less than 24% of net revenues. The total principal and interest remaining to be paid on the bonds is \$37,250,000 and \$9,295,399, respectively.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

In November 2007, the City issued \$84,466,697 in revenue bonds with interest rates ranging from 4.66% to 5.01% to finance the modernization of the current treatment plant and the construction of water distribution systems. The cost of issuance is reported as "deferred charges" on the balance sheet and will be amortized over the life of the debt. As of June 30, 2008, the remaining balance of the deferred liability is \$932,439. The 2007 Revenue Bonds with a maturity date of April 2042 are payable solely from and secured by the revenues received from the City's Municipal Water Utilities. Annual principal and interest payments on the bonds are expected to require less than 14% of net revenues up to 2021 and increasing to 55% thereafter. The total principal and interest remaining to be paid on the bonds is \$84,466,697 and \$52,986,599. In addition, there will be accrued interest of \$73,703,303 payable on the Capital Appreciation Certificates component of this bond.

At June 30, 2008, the water revenue bonds consist of the following:

2003 Water Refunding Revenue Bonds	\$ 7,560,000
2005 Water Refunding Revenue Bonds	37,250,000
2007 Water Revenue Bonds	<u>84,466,697</u>
Total	<u>\$ 129,276,697</u>

The debt service requirements on the utility water revenue bonds are as follows:

Fiscal Year Ending	Utility-Water Revenue Bonds		
	Principal	Interest	Total
2009	\$ 3,915,000	\$ 4,106,672	\$ 8,021,672
2010	4,030,000	3,981,823	8,011,823
2011	4,160,000	3,857,073	8,017,073
2012	4,315,000	3,705,398	8,020,398
2013	4,520,000	3,493,898	8,013,898
2014 - 2018	25,815,000	14,086,917	39,901,917
2019 - 2023	22,726,464	16,484,081	39,210,545
2024 - 2028	13,532,119	25,664,506	39,196,625
2029 - 2033	10,392,754	28,803,871	39,196,625
2034 - 2038	8,020,360	31,176,264	39,196,624
2039 - 2043	<u>27,850,000</u>	<u>3,513,350</u>	<u>31,363,350</u>
Total	<u>\$ 129,276,697</u>	<u>\$ 138,873,853</u>	<u>\$ 268,150,550</u>

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Recreational Revenue Bonds

The City issued its 1988 revenue bonds which were used to acquire land and build the Rancho Solano Golf Course. In 1993, the City issued revenue bonds to advance refund the 1988 revenue bonds, and to finance the acquisition and construction of the Paradise Valley Golf Course. In order to obtain debt service savings and to restructure its debt service requirements, in May 1998 the City issued \$17,415,000 revenue bonds thereby advance refunding the above prior obligations in their entirety. The debt bears interest ranging from 4.0% to 5.5%, paid semi-annually through 2023.

The pledged revenue to pay debt service includes all charges received and all other income and revenues derived by the City from the ownership and operation of the golf courses. To the extent funds are insufficient to pay the operating and maintenance costs and pay the debt service on the bonds, the Council is authorized to levy a tax on taxable property within the Municipal Park Improvement District No. 1 in order to pay such debt service. If revenues are insufficient, tax will be levied annually until the Park District Bonds are paid or until there is sufficient tax to pay debt service. In FY 2008, available revenue in the amount of \$2,849,922 is pledged to pay the current principal and interest debt service of \$1,247,640. these amounts represent 44% pledged revenue coverage of the current debt service.

As of June 30, 2008, the outstanding balance is \$11,795,000. The debt service requirements on the recreational revenue bonds are as follows:

Fiscal Year Ending	Recreational Revenue Bonds		
	Principal	Interest	Total
2009	\$ 670,000	\$ 578,165	\$ 1,248,165
2010	700,000	546,990	1,246,990
2011	735,000	513,618	1,248,618
2012	765,000	477,985	1,242,985
2013	800,000	439,625	1,239,625
2014 - 2018	4,705,000	1,488,439	6,193,439
2019 - 2023	2,915,000	432,625	3,347,625
2024 - 2028	505,000	12,623	517,623
Total	\$ 11,795,000	\$ 4,490,070	\$ 16,285,070

Long-term Notes Payable

At June 30, 2008, long-term notes payable consist of the following:

Redevelopment Agency Highway 12 Project Notes	\$ 2,141,499
Redevelopment Agency Regional Center Project Notes	983,010
HELP Funds	1,210,750
FPFA Lease-Cogeneration	551,217
California Energy Commission Note	1,081,859
	<u>\$ 5,968,335</u>

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

The Agency has two long-term notes in the Highway 12 Project Area totaling \$2,141,499 (which include accrued interest). These notes are subordinate to other debts of the Agency. In September, 1981, the Agency issued a long-term note for \$931,081 to reimburse a developer for the cost of oversizing for storm drainage facilities in the Highway 12 Project Area. Interest accrued at 10% compounded annually through September 1, 1989 after which the note became non-interest bearing. Total unpaid interest is \$1,032,040, which has been added to the note. In February 1982, the Agency issued a non-interest bearing long-term note to reimburse a developer for the cost of oversizing for storm drainage facilities in the Highway 12 Project Area for \$178,378.

In 1992, the Agency and the City entered into an agreement under which the Agency purchased a leasehold interest in the City Hall at the Mall in the Regional Center Project Area for \$2,288,010. The Agency's obligation is shown as a long-term note payable balance at June 30, 2008 is \$983,010. Graduated installment payments of principal and interest at 12% per annum are due semi-annually through 2017. Under the terms of the agreement, the Agency leases the City Hall at the Mall to the City for a nominal amount.

In FY 2001, loans were issued using HELP program funds for the purpose of rehabilitating properties to provide housing for low/moderate income households. The loans have an interest rate of 3% and are secured by the deeds of trust on the properties. In the current year, \$30,000 in additional funds were received.

In March 2002, the City acquired a loan from Wells Fargo Bank in the amount of \$1,200,000 which is to be used for upgrading its co-generation plant's energy management system. The loan has a fixed interest rate of 4.95% with principal and interest payments due semi-annually through March, 2012.

In April, 2003, the City obtained a long term loan from the California Energy Commission in the amount of \$2,002,821 which is to be used for upgrading its co-generation plant. The loan has a fixed interest rate of 3% with principal and interest payments due semi-annually through June, 2013.

The debt service requirements on the long-term notes payable are as follows:

Fiscal Year Ending	Long Term Notes Payable		
	Principal	Interest	Total
2009	\$ 431,554	\$ 393,241	\$ 824,795
2010	1,654,868	402,507	2,057,375
2011	462,190	407,355	869,545
2012	475,763	417,849	893,612
2013	339,451	425,840	765,291
2014 - 2018	463,010	1,938,558	2,401,568
2019 - 2023	2,141,499	-	2,141,499
Total	\$ 5,968,335	\$ 3,985,350	\$ 9,953,685

Compensated Absences

For governmental type activities, the City's liability for vested and unpaid compensated absences has been accrued and amounts to \$12,227,543 at June 30, 2008. Compensated absences have been liquidated primarily by the general fund.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

10) Self-Insurance Program

The City is partially self-insured for workers' compensation insurance with a \$750,000 retention per occurrence and general liability coverage with a \$500,000 retention per occurrence. The City is completely self-insured for unemployment insurance, short-term disability insurance, and dental insurance coverage programs. Separate general liability insurance coverage is maintained for the Housing Authority federal housing assistance programs.

The expenses of the self-insurance programs are recorded in the Internal Service Fund. In 2007, an independent actuary performed an analysis of the City's self-insured workers' compensation reserves (i.e. payable claims). Estimates for incurred but not reported claims (IBNR) are included in the reserve estimates recommended by the actuary. Based on the actuarial analysis, which used a rate of 4.5% to discount future investment earnings at a 50% confidence level, the City's actuarial liability is \$5,016,000; at June 30, 2008, the City has funded cash reserves of \$6,757,313.

In 2007, an independent actuary performed an analysis of the City's self-insured general liability reserves (i.e. payable claims). Estimates for incurred but not reported claims (IBNR) are included in the reserve estimates recommended by the actuary. Based on the actuarial analysis, which used a rate of 4.5% to discount future investment earnings at a 50% confidence level, the City's actuarial liability is \$1,487,000; at June 30, 2008 the City has funded cash reserves of \$2,171,126.

In the current fiscal year 2008, the City reduced the confidence level from 70% to 50% for both general liability and workers compensation reserves; this adjustment was based on the city's loss experience. There have also been no settlements exceeding the insurance coverages for each of the past three fiscal years.

The changes in balances of claims liabilities during the past years (including General Liability and Workers' Compensation) are as follows:

	<u>FY 07/08</u>	<u>FY 06/07</u>
Unpaid Claims (Beginning of Fiscal Year)	\$7,652,409	\$7,614,900
Incurred Claims including IBNR's	339,905	1,839,016
Claims Payments	<u>(1,489,314)</u>	<u>(1,801,507)</u>
Unpaid Claims (End of Fiscal Year)	<u>\$6,503,000</u>	<u>\$7,652,409</u>

For worker's compensation, the City purchases excess insurance coverage (above and beyond the retention limit of \$750,000) from a governmental joint powers authority up to a level of \$300,000,000 per occurrence.

For general liability, the City is a member of the California Joint Powers Risk Management Authority (CJPRMA), a joint exercise of powers agency which provides the City with an additional \$39,500,000 liability coverage over and above the self-insured retention of \$500,000. A property insurance policy is purchased by the member entities of CJPRMA. The deductible amount is \$25,000. The CJPRMA is a legal entity separate and distinct from its member entities, as permitted by the California Government Code. The CJPRMA is governed by a 23-member Board of Directors appointed by the member agencies. Member agencies include approximately 124 California cities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies and to provide excess coverage as a group, thereby reducing its expense. The City contributes its pro rata share of anticipated losses to a pool administered by CJPRMA. Should actual losses among participants be greater than the anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. The City has approximately a 3% interest in the assets, liabilities and equity of the CJPRMA as of June 30, 2008.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Summary financial information taken from the audited financial statements of the CJPRMA as of June 30, 2008 is as follows:

Total assets	\$93,325,490
Total liabilities	<u>52,628,651</u>
Total net assets	<u>\$40,696,839</u>
Revenues, expenses & change in net assets:	
Revenues:	
Member contributions	\$ 19,491,373
Fees earned	11,000
Expenses:	
Current year loss provision	9,977,789
Prior year loss reserve adjustment	(1,134,508)
Insurance premiums	6,651,808
General & administrative;	
Maintenance and operation	<u>1,522,266</u>
Operating income	2,485,018
Investment income	<u>7,556,705</u>
Net income	10,041,723
Net assets-beginning of year	35,955,258
Refunds to members	<u>(5,300,142)</u>
Net assets-end of year	<u>\$ 40,696,839</u>

The Housing Authority is a member of the Housing Authorities' Risk Retention Pool (HARRP), an unincorporated association organized under the intergovernmental cooperation laws of the States of Washington, Oregon, California and Nevada. California Government Code sections 6500 to 6516 provide authority for California public housing authorities to enter into intergovernmental cooperation agreements to establish a group of self-insurance programs.

HARRP is governed by a nine member Board of Directors elected by the approximately 89 member agencies. Summary financial information taken from the audited financial statements of the HARRP as of December 31, 2007 is as follows:

Total assets	\$ 27,884,216
Total liabilities	<u>4,432,675</u>
Total member balances	<u>\$ 23,451,541</u>
Underwriting income:	
Premium earned	\$ 4,998,077
Losses, loss adjustments expenses,	
and experience rating refunds	(3,046,827)
Underwriting expenses	(1,212,106)
Investment income, net of expenses	1,610,821
Other income	<u>68,054</u>
Net income	<u>\$ 2,418,019</u>

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

HARRP provides property insurance up to a \$3,000,000 blanket limit applying to all property owned by each housing authority for which it is legally responsible. HARRP also provides a comprehensive general liability insurance policy covering the operation of each housing authority member and directors and officers liability insurance including errors and omissions with a combined single limit of \$3,000,000 per occurrence.

11) Classification of Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category as follows:

Invested In Capital Assets, Net of Related Debt

	Governmental Activities	Business-Type Activities	Totals
Capital Assets	\$ 235,543,166	\$ 168,811,840	\$ 404,355,006
Less Long Term Debt and Liabilities applicable to capital assets:			
Long Term Debt Due w/in 1 yr	(8,413,936)	(4,585,000)	(12,998,936)
Long Term Debt Due in more than 1 yr.	(175,091,860)	(136,486,697)	(311,578,557)
Total Long Term Debt	(183,505,796)	(141,071,697)	(324,577,493)
Less Long Term Debt Items not applicable to Capital Assets:			
Remaining Bond proceeds on hand (debt service reserves)	37,353,727	58,127,829	95,481,556
Compensated absences	12,227,543		12,227,543
Claims and judgements payable	6,503,000		6,503,000
Pension Obligation Bonds	36,345,000		36,345,000
sub-total of non-applicable items related to long term debt	92,429,270	58,127,829	150,557,099
Total long term debt applicable to capital assets	(91,076,526)	(82,943,868)	(174,020,394)
Invested in Capital Assets, Net of Related Debt	\$ 144,466,640	\$ 85,867,972	\$ 230,334,612

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

In the Governmental Activities, out of the \$37,928,204 restricted cash and investments, \$37,353,727 represents remaining (unspent) bond proceeds for debt service reserves, while \$574,477 represents other restrictions that were not funded by bond proceeds.

In the business-type activities, out of the \$70,829,392 restricted cash and investments, \$58,127,829 represents remaining (unspent) bond proceeds and debt service reserves, while \$12,701,563 represents other restrictions that were not funded by bond proceeds.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the Fund Financial Statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2008, reservations of fund balance are described below:

Reserved for Encumbrances - These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.

Reserved for Endowment – These reserves represent the fund balance of the Outreach Independence Permanent Fund. This amount represents the endowment principal, which under terms of the agreement cannot be spent.

Reserved for Notes Receivable and Advances to Other Funds - These reserves were established to reflect the non-current portion of Notes Receivable and Advances to other funds so that they will not be considered as current available funds.

Reserved for Major Maintenance - These reserves were established to reflect the Maintenance Districts legally restricted funds.

Reserved for Debt Service - These reserves were established to provide for future debt service.

Reserved for Land Held for Development - This reserve was established to reflect non-current resources so they will not be considered as current available funds.

Reserved for Low and Moderate Income Housing - This designation represents 20% of tax increment revenues generated by the Redevelopment Project Area to increase and improve the supply of low and moderate income housing.

Reserved for Specific Projects and Programs - These reserves represent specific projects and programs for which the City has made a commitment towards completion through adoption of the City Budget.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Unreserved fund balances in the Fund Financial Statements are recorded by Management as follows:

<u>General Fund</u>	
Subsequent Year's Expenditures/ECB Reserve	\$ 2,585,551
Unappropriated Fund Balance	<u>18,518,973</u>
Total General Fund	<u>\$ 21,104,524</u>

12) Pension Plan

Plan Description - The City contributes to the Public Employees Retirement System (PERS) an agent multiple-employer system that acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from its Executive Office located at Lincoln Plaza, 400 Q Street, Sacramento California 95814.

All full-time City employees are eligible to participate in PERS. Benefits vest after five years of service. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit payable monthly for life in an amount equal to a percent of their highest annual salary for each year of service credit. PERS also provides death and disability benefits. These benefit provisions and all other requirements have been established by State statute and by specific agreements with City labor groups.

Funding Policy - Active plan members are required to contribute 10.5 percent for miscellaneous and 11.25 percent for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate. The contribution rate for the fiscal year 2007/2008 for miscellaneous and safety employees are 8.472 percent and 14.852 percent of covered payroll respectively.

Annual Pension Cost - For the fiscal year ended June 30, 2008 the City's annual pension cost of \$5,402,200 was equal to the City's required and actual contributions.

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 4,154,303	100%	\$ -
6/30/07	5,103,614	100%	-
6/30/08	5,402,200	100%	-

The City's contributions to the plan in 2005 included \$40,695,000 from the proceeds of the Pension Obligation Bonds see (note 6).

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal cost method. The actuarial assumptions at June 30, 2005 included a) 7.75 percent investment rate of return net of administrative expenses and b) projected annual salary increases ranging from 3.25 percent to 14.45 percent for miscellaneous and 3.25 percent to 13.15 percent for safety employees depending on age service and type of employment. Both a and b included an inflation component of 30 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period. PERS unfunded actuarial accrued liability is being amortized as a level percentage of pro-

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

jected payroll on a closed basis. The average remaining amortization period as of June 30, 2005 was 32 years for both miscellaneous and safety.

Funding Status and Funding Progress - As of June 30, 2007 (the most recent actuarial valuation date) the plan was 94.2 percent funded. The actuarial accrued liability for benefits was \$307.9 million, and the actuarial value of assets was \$289.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$17.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$46.2 million, and the ratio of the UAAL to the covered payroll was 38.9 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

13) Other Post-Employment Benefits (OPEB)

Pursuant to new reporting requirements established in Statement 45 issued by the Government Accounting Standards Board (GASB) effective this year, the City provides information below about its post-employment benefits other than pension payments (OPEB).

Plan Description - The City's Retiree Health Plan is a single-employer defined benefit healthcare plan. The plan is broken into two groups: Executive Management and Non-Executive Management.

Executive Management: The City provides post retirement health care benefits to certain retired executive management employees and retired City officials as approved by City resolution. Eligibility requirements include: (1) a minimum of ten continuous years of service with the City, age of at least 50 upon leaving office; (2) after at least four years of continuous service as an executive management employee and at least 53 years of age upon leaving service; and receipt of Public Employees Retirement System (PERS) benefits. The eligible official/employee must elect to be included in this program immediately upon retirement. Currently, eighteen individuals are covered under this program.

Non-Executive Management: Employees who retire directly from the City and are at least age 50 and have five years of service with CalPERS are eligible to remain on the City's medical and dental plans after retirement by paying the full premium cost at their own expense. Currently, 104 individuals are covered under this program.

Participants as of June 30, 2008	Executive Management	Non-Executive Management	Total
Retirees	18	104	122
Active Employees	10	624	634
Total	28	728	756

Funding Policy - For the executive management group discussed above, the City pays 100% of the medical and dental premiums for retirees and their dependents. For the executive management group, the City contributed \$341,000 to the plan in fiscal 2008. For the non-executive management group, who are other retirees remaining on the City's medical and dental plans, the retirees pay the premium themselves. For fiscal year, 2008, the non-executive management employees contributed \$551,000 to the plan. These two amounts combine to total contributions during fiscal year 2008 of \$892,000.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

Annual OPEB Cost and Net OPEB Obligation

Within parameters of GASB statement No. 45, an actuarial study was performed on these OPEB items as of June 30, 2008. The City's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan and changes in the City's net OPEB liability:

	Executive Management	Non-Executive Management	Total
Annual Required Contribution (ARC):			
Cash	\$ 405,000		\$ 405,000
Implied Subsidy**	162,000	\$ 1,601,000	1,763,000
	567,000	1,601,000	2,168,000
Less Contributions made in FY 2008	(341,000)	(551,000)	(892,000)
Net OPEB Obligation	\$ 226,000	\$ 1,050,000	\$ 1,276,000

(** Implied Subsidy is an actuarially determined amount and is defined as the employer cost for allowing retirees to participate in the plan, irrespective of employer contribution)

The City Retiree Health annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB liability for 2008, were:

Year Ended	Annual OPEB Cost	Annual Percentage of OPEB Cost contributed	Net OPEB Obligation
6/30/2008	\$ 2,168,000	41%	\$ 1,276,000

Note: Information for the prior two years was not available because this is the first year of implementing GASB 45.

Funding Status and Funding Progress: As of June 30, 2008, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$29,776,000. As of June 30, 2008, the Plan Assets were \$1,759,638, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$28,016,362. The covered payroll was \$44.3 million, and the ratio of the UAAL to the covered payroll was 63%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

The actuarial amounts were determined using the entry age normal cost method. The actuarial assumptions at June 30, 2008 are: a) an assumed 4.5% investment rate of return; b) amortization period of 30 years; c) amortization method is level percent of payroll; d) annual healthcare cost trend rate of 8.5% to 10.5% depending on the plan and type of health care service involved, reduced to an ultimate rate of 4.5% after nine years; and a dental cost trend rate of 3%; e) a general inflation rate of 3%; and f) projected annual payroll increases of 3.25%.

14) Commitments and Contingent Liabilities

In September 1997, the Agency assisted the Fairfield Housing Authority and the Pacific Estates Residents' Association in the acquisition of a 175-space mobile home park known as Casa Mobile Home Park. Under the terms of the purchase agreement, the Fairfield Housing Authority issued mortgage revenue bonds in the amount of \$5,546,189, which were subsequently purchased by the park's prior owners. These bonds are special and limited obligation bonds of the Housing Authority. Should the net revenues of the park be insufficient to cover the bond payments, the Agency would provide a stand-by source of revenue for the payment of the bonds for 30 years up to 2029 by pledging its low and moderate-income funds. These bonds would have annual debt service of \$500,000 per year and bear interest at 8.25%. It is neither expected nor likely that the Agency would need to make payments on these bonds; therefore, the liability for the bonds is not recorded in the financial statements.

In December, 1998, the Housing Authority issued \$9,180,000 in refunding revenue bonds to advance refund the outstanding remaining principal from a \$7,125,000 bond issue (done by the Housing Authority in 1994) related to the original acquisition of Creekside Estates Mobile Home Park. These bonds are special and limited obligation bonds of the Housing Authority. Should the net revenues of the park be insufficient to cover the bond payments, the Redevelopment Agency would provide a stand-by source of revenue for the payment of the bonds for 25 years up to 2023 by pledging its low and moderate income funds. These bonds would have annual debt service ranging from \$685,763 to \$690,630 and bear interest at rates ranging from 3.7% to 5.625%. This pledge would be subordinate to the 2003 Redevelopment Revenue Bonds, Series B, in the amount of \$4,810,000 (see Note 9). It is neither expected nor likely that the Agency would need to make payments on these bonds; therefore, the liability for the bonds is not recorded in the accompanying financial statements.

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

The City and the Housing Authority have received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CITY OF FAIRFIELD

Notes to the Basic Financial Statements (continued)

15) Budget Variances and Decrease in Net Assets

In the business-type activities the decrease in net assets is due to the following reason: the golf course program reflects a change in net assets of (\$1,449,580), which is a result of an increase of interest expense, caused by an addition to the outstanding debt.

In the General Fund the following negative variances exist due to the following reasons:

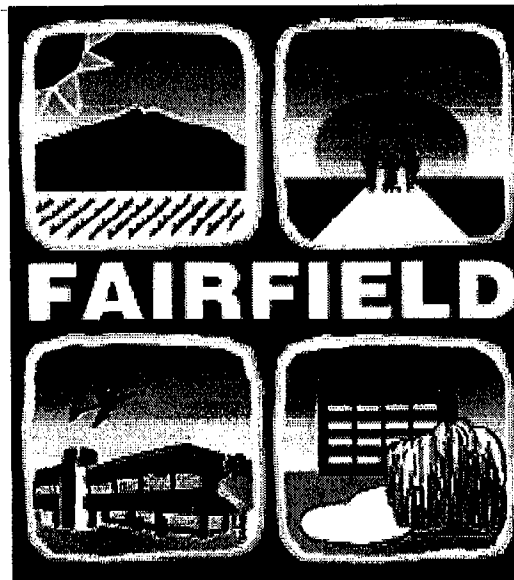
- a. Taxes were lower due to a lower than expected sales and real property transfer taxes received.
- b. Property taxes were lower due to drop in real estate prices within Solano County.
- c. License and Permits were lower due to drop in the number of building permits issued because of the slow down in the building industry.
- d. Charges for Services were lower due to fewer people registering for Community Services activities provided by the City.
- e. Community Services exceeded their budgeted expenditure due to lower collection of service fees which would have otherwise covered some of their expenses.

In the Special Revenue, Low and Moderate Income Fund, property taxes were lower than the budget due to lower than expected tax revenues.

16) North Bay Treatment Plant

The North Bay Treatment Plant was constructed through a joint exercise of powers agreement between the City and the City of Vacaville to operate and maintain facilities for supplying potable water to their respective service areas. A Joint Powers Policy Committee (JPPC) handles the organization and administration of the North Bay Treatment Plant. The JPPC is composed of the Director of Public Works from the City and the Director of Public Works from Vacaville or their designated alternates. The City presents the North Bay Treatment Plant as a proprietary major fund in the accompanying financial statements. The City of Vacaville's share of net assets, at approximately 37% interest, is presented as a "Minority interest in joint agencies" in the amount of \$18,711,424 at June 30, 2008.

HEART OF SOLANO COUNTY



C A L I F O R N I A

PUBLIC EMPLOYEES RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

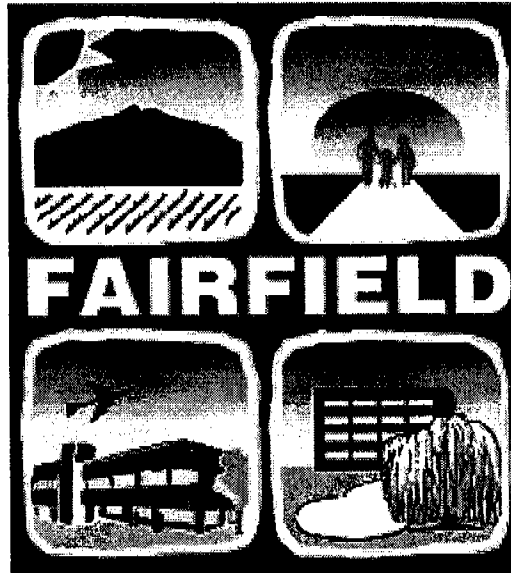
	Valuation date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (b)-(a)	Funded Ratio (AVA) (b)/(a)	Annual Covered Payroll	Unfunded Liability As a Percentage of Payroll
Miscellaneous Plan	6/30/2005	137,116,763	131,659,965	(5,456,798)	96.0%	25,260,080	21.6%
	6/30/2006	152,466,774	143,148,937	(9,317,837)	93.9%	27,467,261	33.9%
	6/30/2007	165,474,910	156,588,969	(8,885,941)	94.6%	28,419,790	31.3%
Safety Plan	6/30/2005	116,924,445	113,839,933	(3,084,512)	97.4%	14,786,287	20.9%
	6/30/2006	130,148,674	122,550,478	(7,598,196)	94.2%	17,101,562	44.4%
	6/30/2007	142,420,867	133,360,922	(9,059,945)	93.6%	17,768,906	51.0%
Total	6/30/2005	254,041,208	245,499,898	(8,541,310)	96.6%	40,046,367	21.3%
	6/30/2006	282,615,448	265,699,415	(16,916,033)	94.0%	44,568,823	38.0%
	6/30/2007	307,895,777	289,949,891	(17,945,886)	94.2%	46,188,696	38.9%

Note: In fiscal year 2005, the City issued \$41,745,000 in Pension Obligation Bonds in order to refund the City's unamortized, unfunded actuarial accrued liability with the Public Employees Retirement System (PERS). See notes 6, 9 and 12 for more information.

RETIREE HEALTH PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)(a)	Value of assets (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (b)/(a)	Annual Covered Payroll	UAAL as a % of covered Payroll
6/30/2008	\$ 29,776,000	\$ 1,759,638	(28,016,362)	5.90%	\$44,250,000	63%

HEART OF SOLANO COUNTY



C A L I F O R N I A

SUPPLEMENTARY INFORMATION

HEART OF SOLANO COUNTY



C A L I F O R N I A

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF FAIRFIELD

Combining Balance Sheet Non-Major Governmental Funds June 30, 2008

	Special Revenue				
	State Gas Tax	Public Safety	Home Program	Public Safety Enhancement	Development Tax
ASSETS					
Assets:					
Cash and investments	\$ 3,033,659	\$ 13,302	\$ 22,630	\$ 15,515	\$ 12,634,193
Receivables, net	663,740	32,504	11,121,399	18,378	
Restricted cash and investments					
Advances to other funds			269,685		5,894,475
Total assets	<u>3,697,399</u>	<u>45,806</u>	<u>11,413,714</u>	<u>33,893</u>	<u>18,528,668</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities		2,194		15,512	41,331
Due to other funds					
Deferred revenue			997,334		2,181,943
Total liabilities		<u>2,194</u>	<u>997,334</u>	<u>15,512</u>	<u>2,223,274</u>
Fund balances:					
Reserved:					
Encumbrances					12,886
Endowment					
Notes receivable and Advances to Other Funds			10,373,571		3,712,532
Major maintenance					
Debt service					
Special projects and programs	3,697,399	43,612	42,809	18,381	12,579,976
Total fund balances	<u>3,697,399</u>	<u>43,612</u>	<u>10,416,380</u>	<u>18,381</u>	<u>16,305,394</u>
Total liabilities and fund balances	<u>\$ 3,697,399</u>	<u>\$ 45,806</u>	<u>\$ 11,413,714</u>	<u>\$ 33,893</u>	<u>\$ 18,528,668</u>

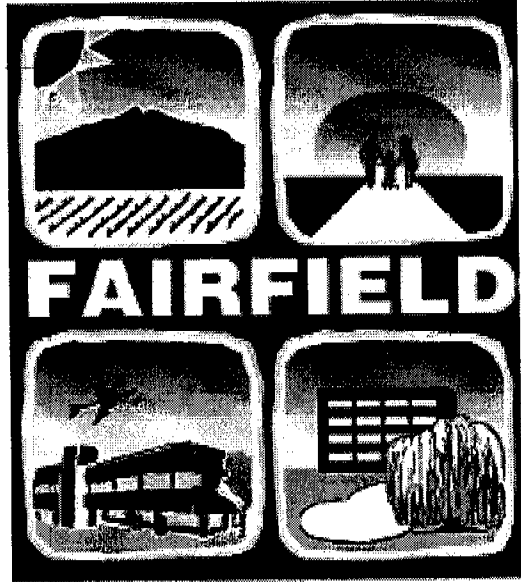
Special Revenue			
Special Programs	Maintenance Districts	Community Development Block Grant	Housing Assistance
\$ 1,906,588	\$ 12,234,475		\$ 1,353,539
304,454	112,551	\$ 3,572,779	12,757
			74,960
<u>2,211,042</u>	<u>12,347,026</u>	<u>3,572,779</u>	<u>1,441,256</u>
47,369	203,794	2,652	102,241
		248,989	
139,738		134,201	
<u>187,107</u>	<u>203,794</u>	<u>385,842</u>	<u>102,241</u>
11,280	820,622	59,668	
		3,051,688	
	2,808,610		
<u>2,012,655</u>	<u>8,514,000</u>	<u>75,581</u>	<u>1,339,015</u>
<u>2,023,935</u>	<u>12,143,232</u>	<u>3,186,937</u>	<u>1,339,015</u>
<u>\$ 2,211,042</u>	<u>\$ 12,347,026</u>	<u>\$ 3,572,779</u>	<u>\$ 1,441,256</u>

CITY OF FAIRFIELD

Combining Balance Sheet Non-Major Governmental Funds June 30, 2008

	Debt Service			Permanent Fund	Total Non-Major Governmental Funds
	General Obligation	Assessment & Improvement Districts	Pension Obligation Bonds	Outreach Independence	
ASSETS					
Assets:					
Cash and investments	\$ 572,143	\$ 1,507,670	\$ 721,037	\$ 342,318	\$ 34,357,069
Receivables, net		8,106,161	6,069	3,553	23,954,345
Restricted cash and investments		7,224,752	112,476		7,412,188
Advances to other funds					6,164,160
Total assets	<u>572,143</u>	<u>16,838,583</u>	<u>839,582</u>	<u>345,871</u>	<u>71,887,762</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	210,945	203	3,439		629,680
Due to other funds					248,989
Deferred revenue		8,075,541			11,528,757
Total liabilities	<u>210,945</u>	<u>8,075,744</u>	<u>3,439</u>	<u>-</u>	<u>12,407,426</u>
Fund balances:					
Reserved:					
Encumbrances					904,456
Endowment				335,375	335,375
Notes receivable and Advances to Other Funds					17,137,791
Major maintenance					2,808,610
Debt service	361,198	8,762,839	836,143		9,960,180
Special projects and programs				10,496	28,333,924
Total fund balances	<u>361,198</u>	<u>8,762,839</u>	<u>836,143</u>	<u>345,871</u>	<u>59,480,336</u>
Total liabilities and fund balances	<u>\$ 572,143</u>	<u>\$ 16,838,583</u>	<u>\$ 839,582</u>	<u>\$ 345,871</u>	<u>\$ 71,887,762</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

CITY OF FAIRFIELD

Combined Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the Year Ended June 30, 2008

	Special Revenue				
	State Gas Tax	Public Safety	Home Program	Public Safety Enhancement	Development Tax
REVENUES:					
Taxes		\$ 424,250			\$ 566,310
Property taxes					
Special assessments levied					
Intergovernmental	\$ 1,882,387	417,842	\$ 690,701		
Investment income	259,255	58	8,401	\$ 329,881	1,515,587
Miscellaneous				187,694	
Total revenues	<u>2,141,642</u>	<u>842,150</u>	<u>699,102</u>	<u>517,575</u>	<u>2,081,897</u>
EXPENDITURES:					
Current:					
Administrative					
Police		456,087		2,646,056	
Fire				1,593,104	
Public works	72,600				133,232
Community services					97,248
Community development			29,381		
Intergovernmental					
Debt service:					
Principal retirement					
Interest					
Fiscal agent fees					
Total expenditures	<u>72,600</u>	<u>456,087</u>	<u>29,381</u>	<u>4,239,160</u>	<u>230,480</u>
Revenues over (under) expenditures	<u>2,069,042</u>	<u>386,063</u>	<u>669,721</u>	<u>(3,721,585)</u>	<u>1,851,417</u>
OTHER FINANCING SOURCES (USES):					
Issuance of debt				25,000	
Transfers in					
Transfers out	(3,015,460)	(427,000)		(6,705,277)	(3,045,934)
Total other financing sources (uses)	<u>(3,015,460)</u>	<u>(427,000)</u>	<u>-</u>	<u>(6,680,277)</u>	<u>(3,045,934)</u>
Net change in fund balances	<u>(946,418)</u>	<u>(40,937)</u>	<u>669,721</u>	<u>(10,401,862)</u>	<u>(1,194,517)</u>
FUND BALANCES:					
Beginning of year	4,643,817	84,549	9,746,659	10,420,243	17,499,911
End of year	<u>\$ 3,697,399</u>	<u>\$ 43,612</u>	<u>\$ 10,416,380</u>	<u>\$ 18,381</u>	<u>\$ 16,305,394</u>

Special Revenue			
Special Programs	Maintenance Districts	Community Development Block Grant	Housing Assistance
	\$ 3,444,321		
\$ 3,600,087	61,881	\$ 837,981	\$ 7,090,851
85,323	660,156	23,084	100,042
9,250	15,497	400	26,441
<u>3,694,660</u>	<u>4,181,855</u>	<u>861,465</u>	<u>7,217,334</u>
174,335			
887,169		35,682	
18,486			
	3,462,888	129,743	
839,302		82,040	
		301,079	7,789,367
<u>1,919,292</u>	<u>3,462,888</u>	<u>548,544</u>	<u>7,789,367</u>
1,775,368	718,967	312,921	(572,033)
	216,000		
(2,487)	(7,219)	(3,343)	(16,574)
(2,487)	208,781	(3,343)	(16,574)
1,772,881	927,748	309,578	(588,607)
<u>251,054</u>	<u>11,215,484</u>	<u>2,877,359</u>	<u>1,927,622</u>
<u>\$ 2,023,935</u>	<u>\$ 12,143,232</u>	<u>\$ 3,186,937</u>	<u>\$ 1,339,015</u>

CITY OF FAIRFIELD

Combined Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the Year Ended June 30, 2008

	Debt Service			Permanent Fund	Total Non-Major Governmental Funds
	General Obligation	Assessment & Improvement Districts	Pension Obligation Bonds	Outreach Independence	
REVENUES:					
Taxes					\$ 990,560
Property taxes	\$ 434,983				434,983
Special assessments levied		\$ 1,276,145			4,720,466
Intergovernmental					14,581,730
Investment income		238,968	\$ 82,792	\$ 21,724	3,325,271
Miscellaneous		98			239,380
Total revenues	<u>434,983</u>	<u>1,515,211</u>	<u>82,792</u>	<u>21,724</u>	<u>24,292,390</u>
EXPENDITURES:					
Current:					
Administrative					174,335
Police					4,024,994
Fire					1,611,590
Public works					3,798,463
Community services				42,839	1,061,429
Community development					8,119,827
Intergovernmental		166			166
Debt service:					
Principal retirement	421,890	1,030,000	4,600,000		6,051,890
Interest		523,886	1,879,386		2,403,272
Fiscal agent fees	28,303	106,937	117,218		252,458
Issuance costs					-
Total expenditures	<u>450,193</u>	<u>1,660,989</u>	<u>6,596,604</u>	<u>42,839</u>	<u>27,498,424</u>
Revenues over (under) expenditures	<u>(15,210)</u>	<u>(145,778)</u>	<u>(6,513,812)</u>	<u>(21,115)</u>	<u>(3,206,034)</u>
OTHER FINANCING SOURCES (USES):					
Issuance of debt		5,753,278			5,753,278
Transfers in			2,506,097		2,747,097
Transfers out		(130,000)			(13,353,294)
Total other financing sources (uses)	<u>-</u>	<u>5,623,278</u>	<u>2,506,097</u>	<u>-</u>	<u>(4,852,919)</u>
Net change in fund balances	<u>(15,210)</u>	<u>5,477,500</u>	<u>(4,007,715)</u>	<u>(21,115)</u>	<u>(8,058,953)</u>
FUND BALANCES:					
Beginning of year	376,408	3,285,339	4,843,858	366,986	67,539,289
End of year	<u>\$ 361,198</u>	<u>\$ 8,762,839</u>	<u>\$ 836,143</u>	<u>\$ 345,871</u>	<u>\$ 59,480,336</u>

Internal Service Funds

CENTRAL STORES - To account for the printing, copying, and mail services provided to the various City departments; as well as accounting for public work maintenance supplies for the various City departments.

AUTOMOTIVE SERVICES - To account for automotive services performed for the various City departments as well as accounting for the City's Vehicle Replacement Fund.

COMMUNICATION SERVICES - To account for the charges to the various departments for the use and maintenance of the main power supplies for various communication devices such as hand radios, phones, and computers.

INTRAGOVERNMENTAL LOAN - To account for loans made to City funds or affiliated agencies.

INSURANCE - To account for all insurance activities of the City.

PUBLIC BUILDINGS - To account for the operation of the cogeneration facilities, and major maintenance of the Civic Center complex.

CITY OF FAIRFIELD

**Combining Statement of Net Assets
Internal Service Funds
June 30, 2008**

	<u>Stores</u>	<u>Automotive Services</u>	<u>Communication Services</u>
ASSETS:			
Current Assets			
Cash and investments	\$ 530,203	\$ 4,728,593	\$ 4,036,531
Receivables, net	4,775	41,820	38,208
Due from other funds			
Inventory	49,631	349,741	
Prepaid items	21,355		33,548
Total Current Assets	<u>605,964</u>	<u>5,120,154</u>	<u>4,108,287</u>
Noncurrent Assets			
Advances to other funds			
Notes receivable			
Investment in bonds of Redevelopment Agency			
Capital Assets:			
Depreciable buildings, property, equipment and infrastructure, net		3,679,602	219,273
Total Noncurrent Assets		<u>3,679,602</u>	<u>219,273</u>
Total assets	<u>605,964</u>	<u>8,799,756</u>	<u>4,327,560</u>
LIABILITIES:			
Current Liabilities			
Accounts payable and other current liabilities	10,454	294,976	152,673
Accrued interest payable			
Claims and judgments payable - due within one year			
Long-term debt - due within one year			
Total current liabilities	<u>10,454</u>	<u>294,976</u>	<u>152,673</u>
Noncurrent Liabilities			
Net OPEB obligation			
Claims and judgments payable - due in more than one year			
Long-term debt - due in more than one year			
Total noncurrent liabilities			
Total liabilities	<u>10,454</u>	<u>294,976</u>	<u>152,673</u>
NET ASSETS:			
Invested in Capital Assets, net of Related Debt		3,679,602	219,273
Restricted			
Unrestricted	595,510	4,825,178	3,955,614
Total net assets	<u>\$ 595,510</u>	<u>\$ 8,504,780</u>	<u>\$ 4,174,887</u>

Intra- Governmental Loan	Insurance	Public Buildings	Totals
\$ 19,914,802	\$ 11,865,708	\$ 636,133	\$ 41,711,970
110,240	108,118	6,027	309,188
714,260			714,260
			399,372
			54,903
20,739,302	11,973,826	642,160	43,189,693
99,125,365			99,125,365
983,010			983,010
954,351			954,351
		2,825,899	6,724,774
101,062,726		2,825,899	107,787,500
121,802,028	11,973,826	3,468,059	150,977,193
	20,137	125,549	603,789
		7,790	7,790
	1,582,950		1,582,950
		331,555	331,555
	1,603,087	464,894	2,526,084
	1,276,000		1,276,000
	4,920,050		4,920,050
		1,301,521	1,301,521
	6,196,050	1,301,521	7,497,571
	7,799,137	1,766,415	10,023,655
		1,192,823	5,091,698
121,802,028	4,174,689	508,821	135,861,840
\$ 121,802,028	\$ 4,174,689	\$ 1,701,644	\$ 140,953,538

CITY OF FAIRFIELD

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Internal Service Funds
For the Year Ended June 30, 2008**

	<u>Stores</u>	<u>Automotive Services</u>	<u>Communication Services</u>
OPERATING REVENUES:			
Charges for services	<u>\$ 694,261</u>	<u>\$ 4,850,423</u>	<u>\$ 2,291,378</u>
Total operating revenues	<u>694,261</u>	<u>4,850,423</u>	<u>2,291,378</u>
OPERATING EXPENSES:			
Material and supplies	320,706	2,359,459	883,764
Operating and maintenance	147,737	1,255,188	654,130
General and administrative	156,996	170,981	569,492
Premiums/provision for insurance claims			
Depreciation		<u>919,274</u>	<u>98,601</u>
Total operating expenses	<u>625,439</u>	<u>4,704,902</u>	<u>2,205,987</u>
Operating Income (loss)	<u>68,822</u>	<u>145,521</u>	<u>85,391</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	28,480	245,834	234,707
Interest expense			
Other revenue (expense)		<u>104,532</u>	
Total nonoperating revenues (expenses)	<u>28,480</u>	<u>350,366</u>	<u>234,707</u>
Income (loss) before transfers	<u>97,302</u>	<u>495,887</u>	<u>320,098</u>
Transfers:			
Transfers in			
Transfers out	<u>(5,243)</u>	<u>(30,476)</u>	<u>(13,146)</u>
Total transfers	<u>(5,243)</u>	<u>(30,476)</u>	<u>(13,146)</u>
Change in net assets	<u>92,059</u>	<u>465,411</u>	<u>306,952</u>
NET ASSETS:			
Beginning of year	<u>503,451</u>	<u>8,039,369</u>	<u>3,867,935</u>
End of year	<u>\$ 595,510</u>	<u>\$ 8,504,780</u>	<u>\$ 4,174,887</u>

<u>Intra- Governmental Loan</u>	<u>Insurance</u>	<u>Public Buildings</u>	<u>Totals</u>
<u>\$ 6,912,795</u>	<u>\$ 1,524,866</u>	<u>\$ 1,110,251</u>	<u>\$ 17,383,974</u>
<u>6,912,795</u>	<u>1,524,866</u>	<u>1,110,251</u>	<u>17,383,974</u>
		573,141	4,137,070
		436,108	2,493,163
78,804	848,913		1,825,186
	3,299,159	16,696	3,315,855
		164,494	1,182,369
<u>78,804</u>	<u>4,148,072</u>	<u>1,190,439</u>	<u>12,953,643</u>
<u>6,833,991</u>	<u>(2,623,206)</u>	<u>(80,188)</u>	<u>4,430,331</u>
898,774	635,265	34,539	2,077,599
		(66,216)	(66,216)
<u>65,340</u>	<u>674,000</u>		<u>843,872</u>
<u>964,114</u>	<u>1,309,265</u>	<u>(31,677)</u>	<u>2,855,255</u>
7,798,105	(1,313,941)	(111,865)	7,285,586
	1,940,000	248,000	2,188,000
<u>(9,658,197)</u>	<u>(17,037)</u>	<u>(3,336)</u>	<u>(9,727,435)</u>
<u>(9,658,197)</u>	<u>1,922,963</u>	<u>244,664</u>	<u>(7,539,435)</u>
(1,860,092)	609,022	132,799	(253,849)
<u>123,662,120</u>	<u>3,565,667</u>	<u>1,568,845</u>	<u>141,207,387</u>
<u>\$ 121,802,028</u>	<u>\$ 4,174,689</u>	<u>\$ 1,701,644</u>	<u>\$ 140,953,538</u>

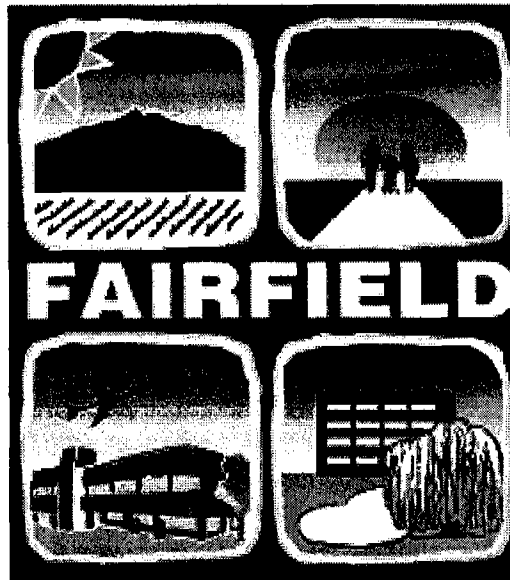
CITY OF FAIRFIELD

Combining Statement of Cash Flows Internal Service Funds For the year Ended June 30, 2008

	Stores	Automotive Services	Communication Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 694,261	\$ 4,850,423	\$ 2,291,378
Payments to suppliers	(491,184)	(3,191,344)	(1,637,242)
Payments to employees	(127,943)	(879,617)	(336,805)
Payments for Interfund Services Used		(150,391)	(50,959)
Net cash provided by (used for) operating activities	<u>75,134</u>	<u>629,071</u>	<u>266,372</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Receipt of lease revenue			
Transfers in			
Transfers out	(5,243)	(30,476)	(13,146)
Net cash provided by (used for) noncapital financing activities	<u>(5,243)</u>	<u>(30,476)</u>	<u>(13,146)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments			
Interest paid		104,532	
Proceeds from sales of capital assets		(799,268)	(110,522)
Purchases of capital assets			
Net cash used by capital and related financing activities	<u>-</u>	<u>(694,736)</u>	<u>(110,522)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	27,458	245,245	230,274
Net cash provided by investing activities	<u>27,458</u>	<u>245,245</u>	<u>230,274</u>
Net increase (decrease) in cash and cash equivalents	97,349	149,104	372,978
CASH AND CASH EQUIVALENTS:			
Beginning of year	432,854	4,579,489	3,663,553
End of year	<u>\$ 530,203</u>	<u>\$ 4,728,593</u>	<u>\$ 4,036,531</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 68,822	\$ 145,521	\$ 85,391
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense		919,274	98,601
(Increase) decrease in inventory	1,520	(11,139)	
(Increase) decrease in prepaid items	(2,111)		(6,017)
(Increase) decrease in advances to other funds			
(Increase) decrease in receivables			
Increase (decrease) in accounts payable	6,903	(424,585)	88,397
Increase (decrease) in claims and judgments payable			
Increase (decrease) in due from other funds			
Non-cash item OPEB expense			
Total adjustment	<u>6,312</u>	<u>483,550</u>	<u>180,981</u>
Net cash provided by (used for) operating activities	\$ 75,134	\$ 629,071	\$ 266,372

Intra- Governmental Loan	Insurance	Public Buildings	Totals
\$ 9,871,598 (775,064)	\$ 1,524,866 (2,897,707) (449,120)	\$ 1,110,251 (939,478) (100,113) (17,556)	\$ 20,342,777 (9,932,019) (1,893,598) (218,906)
<u>9,096,534</u>	<u>(1,821,961)</u>	<u>53,104</u>	<u>8,298,254</u>
65,340	1,940,000 (17,037)	248,000 (3,336)	65,340 2,188,000 (9,727,435)
<u>(9,658,197)</u>	<u>1,922,963</u>	<u>244,664</u>	<u>(7,474,095)</u>
		(319,383) (68,839)	(319,383) (68,839) 104,532 (909,790)
-	-	(388,222)	(1,193,480)
897,100	643,377	34,539	2,077,993
<u>897,100</u>	<u>643,377</u>	<u>34,539</u>	<u>2,077,993</u>
400,777	744,379	(55,915)	1,708,672
19,514,025	11,121,329	692,048	40,003,298
<u>\$ 19,914,802</u>	<u>\$ 11,865,708</u>	<u>\$ 636,133</u>	<u>\$ 41,711,970</u>
\$ 6,833,991	\$ (2,623,206)	\$ (80,188)	\$ 4,430,331
979,103 546,235	655 (1,149,410) 1,950,000	164,494 (54) (31,148)	1,182,369 (9,619) (8,128) 979,103 546,181 (359,778) (1,149,410) 2,687,205
<u>737,205</u>	<u>801,245</u>	<u>133,292</u>	<u>3,867,923</u>
<u>\$ 9,096,534</u>	<u>\$ (1,821,961)</u>	<u>\$ 53,104</u>	<u>\$ 8,298,254</u>

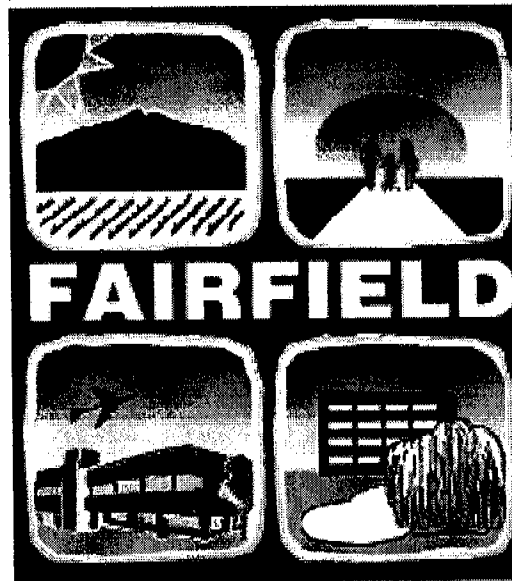
HEART OF SOLANO COUNTY



C A L I F O R N I A

***Combining Financial Statements
Government Activities by Fund Type***

HEART OF SOLANO COUNTY



C A L I F O R N I A

General Fund

The General Fund is used to account for sources and uses of financial resources applicable to the general government operations of the City of Fairfield.

The General Fund consists of the following sub-funds:

- General Fund, which accounts for all general operating revenues and expenditures which are not restricted as to use.
- Redevelopment General Fund, which accounts for interest bearing advances from the City to the Redevelopment Agency.
- Community Services Grants, which accounts for cultural arts awards made to groups outside City government.

CITY OF FAIRFIELD

Balance Sheet General Fund June 30, 2008

Assets:

Cash and investments	\$ 20,848,996
Receivables, net	<u>2,491,979</u>
Total Assets	<u><u>23,340,975</u></u>

Liabilities and Fund Balance:**Liabilities:**

Accounts payable and other current liabilities	<u>710,595</u>
Total Liabilities	<u>710,595</u>

Fund Balance:

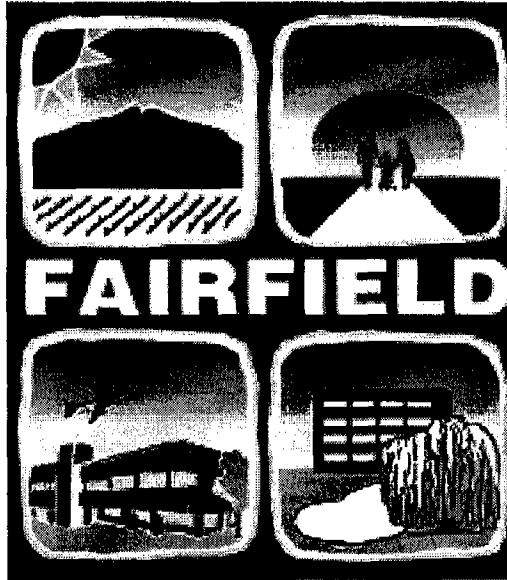
Reserved for:	
Encumbrances	1,525,856
Unreserved:	
Designated for subsequent years' expenditures	2,585,551
Unreserved	<u>18,518,973</u>
Total Fund Balance	<u>22,630,380</u>
Total Liabilities and Fund Balance	<u><u>\$ 23,340,975</u></u>

CITY OF FAIRFIELD

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008**

Revenues:	
Taxes	\$ 28,486,363
Property taxes	12,712,212
Licenses, permits and fines	2,115,660
Intergovernmental	9,203,537
Charges for services	3,620,961
Investment income	2,141,322
Miscellaneous	<u>2,628,534</u>
Total Revenues	<u>60,908,589</u>
Expenditures:	
Current:	
Administrative	424,083
Human resources	735,649
Finance	2,784,267
Police	28,046,353
Fire	13,131,892
Public works	9,755,786
Community services	7,515,393
Community development	752,968
Non-departmental	<u>1,515,801</u>
Total Expenditures	<u>64,662,192</u>
Excess Revenues Over (Under) Expenditures	<u>(3,753,603)</u>
Other Financing Sources (Uses):	
Transfers in	10,845,914
Transfers out	<u>(4,545,178)</u>
Total Other Financing Sources (Uses)	<u>6,300,736</u>
Net change in fund balance	2,547,133
Fund Balance - Beginning of Year	<u>20,083,247</u>
Fund Balance - End of Year	<u><u>\$ 22,630,380</u></u>

HEART OF SOLANO COUNTY



FAIRFIELD

C A L I F O R N I A

Special Revenue Funds

- **STATE GAS TAX** - To account for monies received and expended from State Gas Tax allocation to cities.
- **PUBLIC SAFETY** - To account for monies: received and expended from fines paid to the City under the State Motor Vehicle Code; and monies received and expended under Proposition 172, which is a half-cent increase on the State sales tax rate earmarked for public safety services.
- **HOME PROGRAM** - To account for monies received and expended under the Home Investment Partnerships Program (HOME). Funds are provided by the Federal Government and passed through the State of California.
- **PUBLIC SAFETY ENHANCEMENT** - To account for resources set aside from the General Fund reserves which will fund new police and fire positions.
- **DEVELOPMENT TAX** - To account for monies received from taxes levied by the City on new residential construction based on the number of bedrooms in each unit, square footage of all new commercial construction and units of residential construction. City ordinance restricts these monies to funding construction, major maintenance and debt service for park, street, drainage and public safety facilities.
- **SPECIAL PROGRAMS** - To account for monies received from Federal, State and City grants and for monies received and expended from the Redevelopment Agency for revitalizing the central business district. State grants include a housing revolving loan program.
- **MAINTENANCE DISTRICTS** - To account for maintenance districts monies received from taxes levied on property owners located within the districts.
- **LOW/MODERATE INCOME HOUSING** - To account for monies received and expended by the Redevelopment Agency for financing development and rehabilitation of low and moderate income housing units, including related loan programs.
- **COMMUNITY DEVELOPMENT BLOCK GRANT** - To account for monies received and expended by the City as a participant in the Federal Community Development Block Grant program, including accounting for activity related to the revolving loan fund program.
- **HOUSING ASSISTANCE** - To account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 Housing and Urban Development (HUD) program.

CITY OF FAIRFIELD

Combining Balance Sheet Special Revenue Funds June 30, 2008

	State Gas Tax	Public Safety	Home Program	Public Safety Enhancement	Development Tax
Assets:					
Cash and investments	\$ 3,033,659	\$ 13,302	\$ 22,630	\$ 15,515	\$ 12,634,193
Receivables, net	663,740	32,504	11,121,399	18,378	
Due from other funds					
Advances to other funds			269,685		5,894,475
Restricted cash and investments					
Land held for development					
Total assets	<u>3,697,399</u>	<u>45,806</u>	<u>11,413,714</u>	<u>33,893</u>	<u>18,528,668</u>
Liabilities:					
Accounts payable and other current liabilities		2,194		15,512	41,331
Due to other funds					
Advances from other funds					
Deferred revenue			997,334		2,181,943
Total liabilities	<u>-</u>	<u>2,194</u>	<u>997,334</u>	<u>15,512</u>	<u>2,223,274</u>
Fund balances:					
Reserved for:					
Encumbrances					12,886
Notes receivable and Advances to other Funds			10,373,571		3,712,532
Land held for development					
Major maintenance					
Low and moderate income housing					
Specific projects and programs	3,697,399	43,612	42,809	18,381	12,579,976
Total fund balances	<u>3,697,399</u>	<u>43,612</u>	<u>10,416,380</u>	<u>18,381</u>	<u>16,305,394</u>
Total liabilities and fund balances	<u>\$ 3,697,399</u>	<u>\$ 45,806</u>	<u>\$ 11,413,714</u>	<u>\$ 33,893</u>	<u>\$ 18,528,668</u>

<u>Special Programs</u>	<u>Maintenance Districts</u>	<u>Low/Mod Income Housing</u>	<u>Community Development Block Grant</u>	<u>Housing Assistance</u>	<u>Totals</u>
\$ 1,906,588	\$ 12,234,475	\$ 12,810,637		\$ 1,353,539	\$ 44,024,538
304,454	112,551	15,264,731	\$ 3,572,779	12,757	31,103,293
		71,229			71,229
		3,901,284			10,065,444
				74,960	74,960
		14,716,567			14,716,567
<u>2,211,042</u>	<u>12,347,026</u>	<u>46,764,448</u>	<u>3,572,779</u>	<u>1,441,256</u>	<u>100,056,031</u>
47,369	203,794	38,553	2,652	102,241	453,646
			248,989		248,989
		269,685			269,685
<u>139,738</u>		<u>2,662,450</u>	<u>134,201</u>		<u>6,115,666</u>
<u>187,107</u>	<u>203,794</u>	<u>2,970,688</u>	<u>385,842</u>	<u>102,241</u>	<u>7,087,986</u>
11,280	820,622	4,714,807	59,668		5,619,263
		15,475,817	3,051,688		32,613,608
		14,716,567			14,716,567
	2,808,610				2,808,610
		8,886,569			8,886,569
<u>2,012,655</u>	<u>8,514,000</u>		<u>75,581</u>	<u>1,339,015</u>	<u>28,323,428</u>
<u>2,023,935</u>	<u>12,143,232</u>	<u>43,793,760</u>	<u>3,186,937</u>	<u>1,339,015</u>	<u>92,968,045</u>
<u>\$ 2,211,042</u>	<u>\$ 12,347,026</u>	<u>\$ 46,764,448</u>	<u>\$ 3,572,779</u>	<u>\$ 1,441,256</u>	<u>\$ 100,056,031</u>

CITY OF FAIRFIELD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds For the Year Ended June 30, 2008

	State Gas Tax	Public Safety	Home Program	Public Safety Enhancement	Development Tax
Revenues:					
Taxes		\$ 424,250			\$ 566,310
Property taxes					
Special assessments levied					
Intergovernmental	\$ 1,882,387	417,842	\$ 690,701		
Investment income	259,255	58	8,401	\$ 329,881	1,515,587
Miscellaneous				187,694	
Total Revenues	2,141,642	842,150	699,102	517,575	2,081,897
Expenditures:					
Current:					
Administrative					
Police		456,087		2,646,056	
Fire				1,593,104	
Public works	72,600				133,232
Community services					97,248
Community development			29,381		
Redevelopment					
Total Expenditures	72,600	456,087	29,381	4,239,160	230,480
Excess of Revenues Over (Under) Expenditures	2,069,042	386,063	669,721	(3,721,585)	1,851,417
Other Financing Sources (Uses):					
Issuance of debt				25,000	
Transfer in					
Transfer out	(3,015,460)	(427,000)		(6,705,277)	(3,045,934)
Total Other Financing Sources (Uses)	(3,015,460)	(427,000)	-	(6,680,277)	(3,045,934)
Net change in fund balances	(946,418)	(40,937)	669,721	(10,401,862)	(1,194,517)
Fund Balances - Beginning of Year	4,643,817	84,549	9,746,659	10,420,243	17,499,911
Fund Balances - End of Year	\$ 3,697,399	\$ 43,612	\$ 10,416,380	\$ 18,381	\$ 16,305,394

Special Programs	Maintenance Districts	Low/Mod Income Housing	Community Development Block Grant	Housing Assistance	Totals
					\$ 990,560
		\$ 7,258,578			7,258,578
	\$ 3,444,321				3,444,321
\$ 3,600,087	61,881	10,000	\$ 837,981	\$ 7,090,851	14,591,730
85,323	660,156	1,002,967	23,084	100,042	3,984,754
9,250	15,497	340,092	400	26,441	579,374
<u>3,694,660</u>	<u>4,181,855</u>	<u>8,611,637</u>	<u>861,465</u>	<u>7,217,334</u>	<u>30,849,317</u>
174,335					174,335
887,169			35,682		4,024,994
18,486					1,611,590
	3,462,888		129,743		3,798,463
839,302			82,040		1,018,590
			301,079	7,789,367	8,119,827
		2,626,866			2,626,866
<u>1,919,292</u>	<u>3,462,888</u>	<u>2,626,866</u>	<u>548,544</u>	<u>7,789,367</u>	<u>21,374,665</u>
1,775,368	718,967	5,984,771	312,921	(572,033)	9,474,652
		30,000			30,000
	216,000	425,000			666,000
(2,487)	(7,219)	(163,749)	(3,343)	(16,574)	(13,387,043)
(2,487)	208,781	291,251	(3,343)	(16,574)	(12,691,043)
1,772,881	927,748	6,276,022	309,578	(588,607)	(3,216,391)
251,054	11,215,484	37,517,738	2,877,359	1,927,622	96,184,436
<u>\$ 2,023,935</u>	<u>\$ 12,143,232</u>	<u>\$ 43,793,760</u>	<u>\$ 3,186,937</u>	<u>\$ 1,339,015</u>	<u>\$ 92,968,045</u>

CITY OF FAIRFIELD

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Special Revenue Funds For the Year Ended June 30, 2008

	State Gas Tax		
	Budget	Actual	Variance
Revenues:			
Taxes			
Property taxes			
Special assessments levied			
Intergovernmental	\$ 1,437,000	\$ 1,882,387	\$ 445,387
Investment income	196,000	259,255	63,255
Miscellaneous			
Total Revenues	1,633,000	2,141,642	508,642
Expenditures:			
Current:			
Administrative			
Police			
Fire			
Public works	73,000	72,600	400
Community services			
Community development			
Redevelopment			
Total Expenditures	73,000	72,600	400
Excess of Revenues Over (Under) Expenditures	1,560,000	2,069,042	509,042
Other Financing Sources (Uses):			
Issuance of debt			
Transfer in			
Transfer out	(1,835,000)	(3,015,460)	(1,180,460)
Total Other Financing Sources (Uses)	(1,835,000)	(3,015,460)	(1,180,460)
Net change in fund balances	\$ (275,000)	(946,418)	\$ (671,418)
Fund Balances-Beginning of Year		4,643,817	
Fund Balances-End of Year		\$ 3,697,399	

Public Safety			Home Program		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 401,000	\$ 424,250	\$ 23,250			
425,000	417,842	(7,158)	\$ 690,701	\$ 690,701	
5,000	58	(4,942)	8,401	8,401	
831,000	842,150	11,150	699,102	699,102	
482,000	456,087	25,913			
			29,381	29,381	
482,000	456,087	25,913	29,381	29,381	-
349,000	386,063	37,063	669,721	669,721	-
(349,000)	(427,000)	(78,000)			
(349,000)	(427,000)	(78,000)	-	-	-
\$ -	(40,937)	\$ (40,937)	\$ 669,721	669,721	-
	84,549			9,746,659	
	\$ 43,612			\$ 10,416,380	

CITY OF FAIRFIELD

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Special Revenue Funds For the Year Ended June 30, 2008

Revenues:	Public Safety Enhancement			Development Tax		
	Budget	Actual	Variance	Budget	Actual	Variance
Taxes				\$ 543,000	\$ 566,310	\$ 23,310
Property taxes						
Special assessments levied						
Intergovernmental						
Investment Income	\$ 367,000	\$ 329,881	\$ (37,119)	500,000	1,515,587	1,015,587
Miscellaneous	137,000	187,694	50,694			
Total Revenues	504,000	517,575	13,575	1,043,000	2,081,897	1,038,897
Expenditures:						
Current:						
Administrative						
Police	2,521,000	2,646,056	125,056			
Fire	1,553,000	1,593,104	(40,104)			
Public works				193,000	133,232	59,768
Community services				98,000	97,248	752
Community development						
Redevelopment						
Total Expenditures	4,074,000	4,239,160	84,952	291,000	230,480	60,520
Excess of Revenues Over (Under) Expenditures	(3,570,000)	(3,721,585)	(151,585)	752,000	1,851,417	1,099,417
Other Financing Sources (Uses):						
Issuance of debt						
Transfer in	25,000	25,000				
Transfer out	(6,836,000)	(6,705,277)	130,723	(3,548,000)	(3,045,934)	502,066
Total Other Financing Sources (Uses)	(6,811,000)	(6,680,277)	130,723	(3,548,000)	(3,045,934)	502,066
Net change in fund balances	\$ (10,381,000)	(10,401,862)	\$ (20,862)	\$ (2,796,000)	(1,194,517)	\$ 1,601,483
Fund Balances-Beginning of Year		10,420,243			17,499,911	
Fund Balances-End of Year		\$ 18,381			\$ 16,305,394	

Special Programs			Maintenance Districts		
Budget	Actual	Variance	Budget	Actual	Variance
			\$ 3,452,000	\$ 3,444,321	\$ (7,679)
\$ 4,335,000	\$ 3,600,087	\$ (734,913)		61,881	
33,572	85,323	51,751	487,000	660,156	173,156
	9,250	9,250		15,497	15,497
<u>4,368,572</u>	<u>3,694,660</u>	<u>(673,912)</u>	<u>3,939,000</u>	<u>4,181,855</u>	<u>180,974</u>
210,666	174,335	36,331			
1,259,000	887,169	371,831			
35,000	18,486	16,514			
671,000	839,302	(168,302)	3,611,781	3,462,888	148,893
<u>2,175,666</u>	<u>1,919,292</u>	<u>256,374</u>	<u>3,611,781</u>	<u>3,462,888</u>	<u>148,893</u>
<u>2,192,906</u>	<u>1,775,368</u>	<u>(417,538)</u>	<u>327,219</u>	<u>718,967</u>	<u>391,748</u>
			216,000	216,000	-
	(2,487)	(2,487)	(7,219)	(7,219)	-
-	(2,487)	(2,487)	208,781	208,781	-
<u>\$ 2,192,906</u>	<u>1,772,881</u>	<u>\$ (420,025)</u>	<u>\$ 536,000</u>	<u>927,748</u>	<u>\$ 391,748</u>
	251,054			11,215,484	
	<u>\$ 2,023,935</u>			<u>\$ 12,143,232</u>	

CITY OF FAIRFIELD

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Special Revenue Funds For the Year Ended June 30, 2008

	Low/Moderate Income Housing		
	Budget	Actual	Variance
Revenues:			
Taxes			
Property taxes	\$ 7,301,000	\$ 7,258,578	\$ (42,422)
Special assessments levied			
Intergovernmental	10,000	10,000	-
Investment income	250,000	1,002,967	752,967
Miscellaneous	347,560	340,092	(7,468)
Total Revenues	7,908,560	8,611,637	703,077
Expenditures:			
Current:			
Administrative			
Police			
Fire			
Public works			
Community services			
Community development			
Redevelopment	3,032,000	2,626,866	405,134
Total Expenditures	3,032,000	2,626,866	405,134
Excess of Revenues Over (Under) Expenditures	4,876,560	5,984,771	1,108,211
Other Financing Sources (Uses):			
Issuance of debt		30,000	30,000
Transfer in	425,000	425,000	-
Transfer out	(163,749)	(163,749)	-
Total Other Financing Sources (Uses)	261,251	291,251	30,000
Net change in fund balances	\$ 5,137,811	6,276,022	\$ 1,138,211
Fund Balances-Beginning of Year		37,517,738	
Fund Balances-End of Year		\$ 43,793,760	

Community Development Block Grant			Housing Assistance		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 848,000	\$ 837,981	\$ (10,019)	\$ 8,108,000	\$ 7,090,851	\$ (1,017,149)
7,000	23,084	16,084		100,042	100,042
	400	400	43,000	26,441	(16,559)
855,000	861,465	6,465	8,151,000	7,217,334	(933,666)
	35,682	(35,682)			
291,000	129,743	161,257			
	82,040	(82,040)			
651,000	301,079	349,921	8,040,000	7,789,367	250,633
942,000	548,544	393,456	8,040,000	7,789,367	250,633
(87,000)	312,921	399,921	111,000	(572,033)	(683,033)
	(3,343)	(3,343)		(16,574)	(16,574)
	(3,343)	(3,343)		(16,574)	(16,574)
\$ (87,000)	309,578	\$ 396,578	\$ 111,000	(588,607)	\$ (699,607)
	2,877,359			1,927,622	
	\$ 3,186,937			\$ 1,339,015	

CITY OF FAIRFIELD

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Special Revenue Funds For the Year Ended June 30, 2008

	Totals		
	Budget	Actual	Variance
Revenues:			
Taxes	\$ 944,000	\$ 990,560	\$ 46,560
Property taxes	7,301,000	7,258,578	(42,422)
Special assessments levied	3,452,000	3,444,321	(7,679)
Intergovernmental	15,853,701	14,591,730	(1,261,971)
Investment income	1,853,973	3,984,754	2,130,781
Miscellaneous	527,560	579,374	51,814
Total Revenues	29,932,234	30,849,317	917,083
Expenditures:			
Current:			
Administrative	210,666	174,335	36,331
Police	4,262,000	4,024,994	237,006
Fire	1,588,000	1,611,590	(23,590)
Public works	4,168,781	3,798,463	370,318
Community services	769,000	1,018,590	(249,590)
Community development	8,720,381	8,119,827	600,554
Redevelopment	3,032,000	2,626,866	405,134
Total Expenditures	22,750,828	21,374,665	1,376,163
Excess of Revenues Over (Under) Expenditures	7,181,406	9,474,652	2,293,246
Other Financing Sources (Uses):			
Issuance of debt		30,000	30,000
Transfer in	666,000	666,000	-
Transfer out	(12,738,968)	(13,387,043)	(648,075)
Total Other Financing Sources (Uses)	(12,072,968)	(12,691,043)	(618,075)
Net change in fund balances	\$ (4,891,562)	(3,216,391)	\$ 1,675,171
Fund Balances-Beginning of Year		96,184,436	
Fund Balances-End of Year		\$ 92,968,045	

Debt Service Funds

- **GENERAL OBLIGATION** - To account for property tax monies and zone of benefit taxes levied for the payment of voter approved debt principal and interest and payment of contractual obligations.
- **PENSION OBLIGATION BONDS** - To account for the proceeds of the bonds issued to refund the City's unfunded liability to the CalPERS retirement system; and to account for the ongoing accumulation of resources used in making payments on this debt.
- **REDEVELOPMENT AGENCY** - To account for tax increment revenue and the payment of all long-term debt incurred by the Agency.
- **ASSESSMENT AND IMPROVEMENT DISTRICTS** - To account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied. Assessment bonds issued to finance improvements in special assessment districts are secured by liens against the assessed properties. In addition, to account for the repayment of the debt issued by the City's Community Facilities Districts.

CITY OF FAIRFIELD

Combining Balance Sheet Debt Service Funds June 30, 2008

	General Obligation	Pension Obligation Bonds	Redevelopment Agency	Assessment & Improvement Districts	Totals
Assets:					
Cash and investments	\$ 572,143	\$ 721,037	\$ 14,036,320	\$ 1,507,670	\$ 16,837,170
Receivables, net		6,069	4,358,083	8,106,161	12,470,313
Restricted cash and investments		112,476	7,104,770	7,224,752	14,441,998
Total Assets	<u>572,143</u>	<u>839,582</u>	<u>25,499,173</u>	<u>16,838,583</u>	<u>43,749,481</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and other current liabilities	210,945	3,439	189,960	203	404,547
Advances from other funds			91,514,788		91,514,788
Deferred revenue			4,280,000	8,075,541	12,355,541
Total Liabilities	<u>210,945</u>	<u>3,439</u>	<u>95,984,748</u>	<u>8,075,744</u>	<u>104,274,876</u>
Fund Balances:					
Reserved for Debt Service	361,198	836,143	14,792,101	8,762,839	24,752,281
Unreserved, Undesignated			(85,277,676)		(85,277,676)
Total Fund Balances	<u>361,198</u>	<u>836,143</u>	<u>(70,485,575)</u>	<u>8,762,839</u>	<u>(60,525,395)</u>
Total Liabilities and Fund Balances	<u>\$ 572,143</u>	<u>\$ 839,582</u>	<u>\$ 25,499,173</u>	<u>\$ 16,838,583</u>	<u>\$ 43,749,481</u>

CITY OF FAIRFIELD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Debt Service Funds For the Year Ended June 30, 2008

	General Obligation	Pension Obligation Bonds	Redevelopment Agency	Assessment & Improvement Districts	Totals
Revenues:					
Property taxes	\$ 434,983		\$ 29,034,311		\$ 29,469,294
Special assessments levied				\$ 1,276,145	1,276,145
Investment income		\$ 82,792	1,497,976	238,968	1,819,736
Miscellaneous			309,889	98	309,987
Total Revenues	434,983	82,792	30,842,176	1,515,211	32,875,162
Expenditures:					
Intergovernmental			7,412,715	166	7,412,881
Debt Service:					
Principal retirement	421,890	4,600,000	4,342,766	1,030,000	10,394,656
Interest		1,879,386	9,599,767	523,886	12,003,039
Fiscal agent fees	28,303	117,218	744,308	106,937	996,766
Special assessment payments			380,451		380,451
Total Expenditures	450,193	6,596,604	22,480,007	1,660,989	31,187,793
Excess of Revenues Over (Under) Expenditures	(15,210)	(6,513,812)	8,362,169	(145,778)	1,687,369
Other Financing Sources (Uses):					
Issuance of debt				5,753,278	5,753,278
Transfers in		2,506,097	1,660,000		4,166,097
Transfers out			(3,226,865)	(130,000)	(3,356,865)
Total Other Financing Sources	-	2,506,097	(1,566,865)	5,623,278	6,562,510
Net change in fund balances	(15,210)	(4,007,715)	6,795,304	5,477,500	8,249,879
Fund Balances - Beginning of Year	376,408	4,843,858	(77,280,879)	3,285,339	(68,775,274)
Fund Balances - End of Year	\$ 361,198	\$ 836,143	\$ (70,485,575)	\$ 8,762,839	\$ (60,525,395)

HEART OF SOLANO COUNTY



C A L I F O R N I A

Capital Projects Funds

- CITY PROJECTS - These funds have been established to account for current construction projects which include Parks and Recreation, Streets and Highways, Storm Drainage, Public Buildings, Special Projects and Sewer Mains. The primary sources of funding have been the City-levied development taxes, State Gas Tax, Local Transportation Tax, Traffic Safety Fund and temporary loans to projects.
- REDEVELOPMENT AGENCY - To account for financial resources for the construction of infrastructure within the Regional Center, Highway 12, City Center, Cordelia, and North Texas project areas. The primary sources of funding have been proceeds of bonds secured by property tax increment.
- ASSESSMENT AND IMPROVEMENT DISTRICTS - To account for the construction of public improvements deemed to benefit the properties against which special assessments are levied. Activities financed through assessments include street lighting and paving, utility and other general infrastructure improvements. In addition, to account for the activities in the Community Facilities Districts and the Rancho Solano and North Texas Benefit Districts.

CITY OF FAIRFIELD

Combining Balance Sheet Capital Projects Funds June 30, 2008

	City Projects	Redevelopment Agency	Assessments & Improvement Districts	Totals
Assets:				
Cash and investments	\$ 52,418,604	\$ 929,568	\$ 15,391,088	\$ 68,739,260
Receivables, net	2,818,526	3,941,986	158,049	6,918,561
Restricted cash and investments			23,411,246	23,411,246
Land held for development		12,949,380		12,949,380
Total Assets	55,237,130	17,820,934	38,960,383	112,018,447
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and other current liabilities	4,826,832	101,058	33,053	4,960,943
Due to other funds	500,000		20,000	520,000
Advances from other funds		1,077,269		1,077,269
Deferred revenue		1,767,497		1,767,497
Total Liabilities	5,326,832	2,945,824	53,053	8,325,709
Fund Balances:				
Reserved for:				
Encumbrances	18,917,467	220,555	50,996	19,189,018
Notes receivable		2,167,538	16,500	2,184,038
Land held for development		12,949,380		12,949,380
Special Projects and Programs	30,992,831		38,839,834	69,832,665
Unreserved, undesignated		(462,363)		(462,363)
Total Fund Balances	49,910,298	14,875,110	38,907,330	103,692,738
Total Liabilities and Fund Balances	\$ 55,237,130	\$ 17,820,934	\$ 38,960,383	\$ 112,018,447

CITY OF FAIRFIELD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Capital Projects Funds For the Year Ended June 30, 2008

	City Projects	Redevelopment Agency	Assessments & Improvement Districts	Totals
Revenues:				
Development fees	\$ 2,061,537			\$ 2,061,537
Special assessments levied			\$ 1,977,424	1,977,424
Developers' contributions			46,747	46,747
Intergovernmental	3,694,362			3,694,362
Investment income	2,830,850	\$ 177,416	1,078,257	4,086,523
Miscellaneous	224,972	1,496,017	49,615	1,770,604
Total Revenues	8,811,721	1,673,433	3,152,043	13,637,197
Expenditures:				
Current:				
Administrative		2,584,919		2,584,919
Intergovernmental		112,500		112,500
Capital Outlay	24,241,026	1,029,164	900,651	26,170,841
Debt Service:				
Issuance Costs			686,566	686,566
Total Expenditures	24,241,026	3,726,583	1,587,217	29,554,826
Excess of Revenues Over (Under) Expenditures	(15,429,305)	(2,053,150)	1,564,826	(15,917,629)
Other Financing Sources (Uses):				
Issuance of debt			27,851,722	27,851,722
Bond Premium			156,881	156,881
Bond Discount			(264,210)	(264,210)
Transfers in	16,735,116	3,226,865	130,000	20,091,981
Transfers out		(1,619,797)	(5,552,692)	(7,172,489)
Total Other Financing Sources (Uses)	16,735,116	1,607,068	22,321,701	12,919,492
Net change in fund balances	1,305,811	(446,082)	23,886,527	24,746,256
Fund Balances - Beginning of Year	48,604,487	15,321,192	15,020,803	78,946,482
Fund Balances - End of Year	\$ 49,910,298	\$ 14,875,110	\$ 38,907,330	\$ 103,692,738

HEART OF SOLANO COUNTY



C A L I F O R N I A

Permanent Fund

OUTREACH INDEPENDENCE – to account for monies donated to the City and the Friends of the Senior Center for disbursements relating to senior citizen outreach programs.

CITY OF FAIRFIELD

Balance Sheet
Permanent Fund
June 30, 2008

	ASSETS	Outreach <u>Independence</u>
Assets:		
Cash and cash equivalents		\$ 342,318
Receivables, net		<u>3,553</u>
Total assets		<u>345,871</u>
	LIABILITIES AND FUND BALANCES	
Liabilities:		
Accounts payable		<u>-</u>
Total liabilities		<u>-</u>
Fund Balances:		
Reserved for endowment		335,375
Reserved for special projects and programs		<u>10,496</u>
Total fund balances		<u>345,871</u>
Total liabilities and fund balances		<u>\$ 345,871</u>

CITY OF FAIRFIELD

Statement of Revenues, Expenditures and Changes in Fund Balances Permanent Fund For the Year Ended June 30, 2008

	<u>Outreach Independence</u>
REVENUES:	
Investment income	<u>\$ 21,724</u>
Total revenues	<u>21,724</u>
EXPENDITURES:	
Community services	<u>42,839</u>
Total expenditures	<u>42,839</u>
Revenues over (under) expenditures	<u>(21,115)</u>
Net change in fund balance	<u>(21,115)</u>
FUND BALANCE:	
Beginning of year	<u>366,986</u>
End of year	<u>\$ 345,871</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

Agency Funds

- OTHER DEPOSITS - To account for deposits received from outside parties. Some of the large items include deposits for: environmental impact fees and special recreation fees, restitution for crimes committed and donations for the expansion of the Senior Center.
- PAYROLL TRUST - To account for cash transferred from the various funds (expense/expenditures) from which actual cash is remitted to the employees and various agencies.
- SOLID WASTE - To account for the collection and disbursement of the residential garbage service franchise in the City.
- FAIRFIELD-SUISUN SEWER DISTRICT - To account for the collection and disbursement of sewer service fees to the Fairfield-Suisun Sewer District.
- DOWNTOWN IMPROVEMENT DISTRICT - To account for collections and disbursements of the downtown district established to promote downtown business.
- NORTH TEXAS BUSINESS IMPROVEMENT DISTRICT - To account for collections and disbursements for the North Texas District established to promote the North Texas Business.
- SOLANO ANIMAL CONTROL AUTHORITY - To account for monies for the operation of the Solano Animal Control Authority.
- GREEN VALLEY MAINTENANCE DISTRICT - To account for maintenance district monies received from taxes levied on properties located in Solano County for acquisition of open space and maintenance in Green Valley.
- TRI-CITY-COUNTY REGIONAL PARKS AND OPEN SPACE GROUP - To account for monies contributed from Solano County and the cities of Benicia, Fairfield and Vallejo for the study and development of a coordinated system of recreation and open space between the three cities.
- TOURISM BUSINESS IMPROVEMENT DISTRICT - To account for the collection and disbursement of local hotel assessments that is used to promote tourism.

CITY OF FAIRFIELD

**Combining Balance Sheet
Agency Funds
June 30, 2008**

	<u>Other Deposits</u>	<u>Payroll</u>	<u>Solid Waste</u>	<u>Fairfield- Suisun Sewer District</u>	<u>Downtown Improvement District</u>
ASSETS					
Cash and cash equivalents	<u>\$ 2,912,438</u>	<u>\$ 3,086,247</u>	<u>\$ 176,300</u>	<u>\$ 1,146,066</u>	<u>\$ 8,994</u>
Total assets	<u><u>2,912,438</u></u>	<u><u>3,086,247</u></u>	<u><u>176,300</u></u>	<u><u>1,146,066</u></u>	<u><u>8,994</u></u>
LIABILITIES					
Deposits payable	<u>2,912,438</u>	<u>3,086,247</u>	<u>176,300</u>	<u>1,146,066</u>	<u>8,994</u>
Total liabilities	<u><u>\$ 2,912,438</u></u>	<u><u>\$ 3,086,247</u></u>	<u><u>\$ 176,300</u></u>	<u><u>\$ 1,146,066</u></u>	<u><u>\$ 8,994</u></u>

N Texas Business Improvement District	Solano Animal Control	Green Valley Open Space Maintenance District	Tri-City/County Open Space Maintenance District	Tourism Business Improvement District	Totals
\$ 17,603	\$ 57,952	\$ 1,262,464	\$ 48,445	\$ 1,116	\$ 8,717,625
<u>17,603</u>	<u>57,952</u>	<u>1,262,464</u>	<u>48,445</u>	<u>1,116</u>	<u>8,717,625</u>
17,603	57,952	1,262,464	48,445	1,116	8,717,625
\$ 17,603	\$ 57,952	\$ 1,262,464	\$ 48,445	\$ 1,116	\$ 8,717,625

CITY OF FAIRFIELD

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2008

OTHER DEPOSITS

	Balances June 30, 2007	Additions	Deductions	Balances June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 2,856,898	\$ 2,032,605	\$ 1,977,065	\$ 2,912,438
Total assets	<u>2,856,898</u>	<u>2,032,605</u>	<u>1,977,065</u>	<u>2,912,438</u>
LIABILITIES				
Deposits payable	2,856,898	2,032,605	1,977,065	2,912,438
Total liabilities	<u>\$ 2,856,898</u>	<u>\$ 2,032,605</u>	<u>\$ 1,977,065</u>	<u>\$ 2,912,438</u>

PAYROLL

	Balances June 30, 2007	Additions	Deductions	Balances June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 2,738,929	\$ 117,864,990	\$ 117,517,672	\$ 3,086,247
Total assets	<u>2,738,929</u>	<u>117,864,990</u>	<u>117,517,672</u>	<u>3,086,247</u>
LIABILITIES				
Deposits payable	2,738,929	117,864,990	117,517,672	3,086,247
Total liabilities	<u>\$ 2,738,929</u>	<u>\$ 117,864,990</u>	<u>\$ 117,517,672</u>	<u>\$ 3,086,247</u>

CITY OF FAIRFIELD

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2008

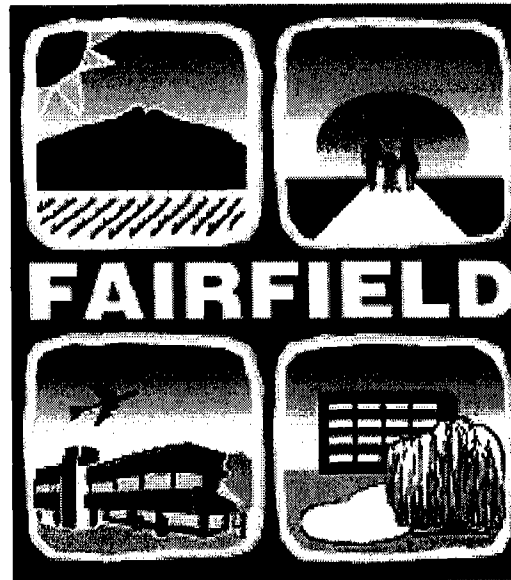
SOLID WASTE

	Balances June 30, 2007	Additions	Deductions	Balances June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 175,475	\$ 825		\$ 176,300
Total assets	<u>175,475</u>	<u>825</u>	<u>-</u>	<u>176,300</u>
LIABILITIES				
Deposits payable	175,475	825	-	176,300
Total liabilities	<u>\$ 175,475</u>	<u>\$ 825</u>	<u>\$ -</u>	<u>\$ 176,300</u>

FAIRFIELD-SUISUN SEWER DISTRICT

	Balances June 30, 2007	Additions	Deductions	Balances June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 1,162,790	\$ 11,457,267	\$ 11,473,991	\$ 1,146,066
Total assets	<u>1,162,790</u>	<u>11,457,267</u>	<u>11,473,991</u>	<u>1,146,066</u>
LIABILITIES				
Deposits payable	1,162,790	11,457,267	11,473,991	1,146,066
Total liabilities	<u>\$ 1,162,790</u>	<u>\$ 11,457,267</u>	<u>\$ 11,473,991</u>	<u>\$ 1,146,066</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

Statistical Section

This part of the City of Fairfield's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

In May, 2004 the Governmental Accounting Standards Board (GASB) issued Statement 44, Economic Reporting: the Statistical Section. For the City of Fairfield, 2006 was the first required year of implementation. As permitted by the Statement, the City is applying these new tables on a prospective basis. As future years go by, ultimately, ten years of information will be presented for each table.

Contents	Page
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	142-147
<u>Revenue Capacity</u> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	148-151
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	152-159
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	160-161
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	162-163

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Fairfield

**Net Assets by Component
(accrual basis of accounting)
By Fiscal Year****Table 1**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 97,102,642	\$ 130,259,605	\$ 144,466,640
Restricted	197,438,267	194,826,606	233,279,120
Unrestricted	<u>84,136,262</u>	<u>78,468,755</u>	<u>34,779,405</u>
Total governmental activities net assets	<u>\$ 378,677,171</u>	<u>\$ 403,554,966</u>	<u>\$ 412,525,165</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 24,435,740	\$ 70,196,110	\$ 85,867,972
Unrestricted	<u>58,667,801</u>	<u>24,982,281</u>	<u>37,508,060</u>
Total business-type activities net assets	<u>\$ 83,103,541</u>	<u>\$ 95,178,391</u>	<u>\$ 123,376,032</u>
Primary Government			
Invested in capital assets, net of related debt	\$ 121,538,382	\$ 200,455,715	\$ 230,334,612
Restricted	197,438,267	194,826,606	233,279,120
Unrestricted	<u>142,804,063</u>	<u>103,451,036</u>	<u>72,287,465</u>
Total primary government net assets	<u>\$ 461,780,712</u>	<u>\$ 498,733,357</u>	<u>\$ 535,901,197</u>

Source: City of Fairfield

City of Fairfield
Changes in Net Assets
(accrual basis of accounting)
By Fiscal Year

Table 2

	2006	2007	2008
Expenses			
Governmental activities			
Administrative	\$ 1,073,844	\$ 2,466,271	\$ 2,703,412
Human Resources	713,005	798,078	806,325
Finance	2,704,510	2,992,096	3,227,684
Police	25,865,919	29,097,140	34,098,909
Fire	12,950,385	14,188,653	16,015,598
Public Works	30,745,284	32,719,994	30,105,784
Community development	8,297,262	9,452,161	9,118,440
Community services	7,983,924	8,227,424	10,428,660
Redevelopment agency	13,579,272	15,922,327	15,173,773
Non-departmental	3,584,354	-	-
Interest on long-term debt	5,920,276	5,710,735	5,080,479
Total governmental activities expenses	113,418,035	121,574,878	126,759,064
Business-type activities			
Water	24,246,741	23,526,513	25,511,488
North Bay Treatment Plant	6,476,534	6,877,858	7,449,396
Transportation	8,246,921	8,889,780	10,000,808
Golf Courses	6,925,820	7,165,848	6,945,535
Housing Program	956,957	703,006	711,292
Police Training Center	-	-	222,786
Total business-type activities expenses	46,852,973	47,163,005	50,841,305
Total primary government expenses	\$ 160,271,008	\$ 168,737,883	\$ 177,600,369
Program Revenues			
Governmental activities:			
Charges for services:			
Public Works	\$ 3,956,977	\$ 313,881	\$ 3,901,358
Community Services	2,091,940	5,552,264	2,208,774
Other activities	1,676,503	2,252,110	2,544,820
Operating grants and contributions	17,316,936	18,946,450	17,098,716
Capital grants and contributions	24,928,691	13,627,419	17,211,846
Total governmental activities program revenues	49,971,047	40,692,124	42,965,514
Business-type activities:			
Charges for services:			
Water	29,627,575	30,712,881	29,538,590
North Bay Treatment Plant	6,077,388	5,858,763	6,284,495
Transportation	1,507,264	1,900,707	2,206,626
Golf Courses	4,623,537	5,046,888	4,897,622
Housing Program	702,826	737,276	793,492
Police Training Center	-	-	17,216
Operating grants and contributions	5,400,328	9,427,582	12,319,388
Capital grants and contributions	2,282,197	2,319,174	4,365,545
Total business-type activities program revenues	50,221,115	56,003,271	60,422,974
Total primary government program revenues	\$ 100,192,162	\$ 96,695,395	\$ 103,388,488

City of Fairfield**Changes in Net Assets
(accrual basis of accounting)
By Fiscal Year****Table 2**

	2006	2007	2008
Net (expense)/revenue			
Governmental activities	\$ (63,446,988)	\$ (80,882,754)	\$ (83,793,550)
Business-type activities	3,368,142	8,840,266	9,581,669
Total primary government net expense	<u>\$ (60,078,846)</u>	<u>\$ (72,042,488)</u>	<u>\$ (74,211,881)</u>
General Revenues and Other Changes In Net Assets			
Governmental activities			
Taxes			
Property taxes	\$ 44,950,233	\$ 49,110,181	\$ 51,191,170
Sales taxes	18,734,988	18,777,868	17,480,626
Other Taxes	10,887,280	11,846,398	10,831,669
Intergovernmental	16,204,963	8,566,798	8,811,864
Investment earnings	6,685,891	11,917,294	14,547,234
Miscellaneous	7,284,399	5,789,720	3,311,935
Gain on sale of property	46,326	-	-
Transfers	329,837	(247,710)	(13,410,749)
Total governmental activities	<u>105,123,917</u>	<u>105,760,549</u>	<u>92,763,749</u>
Business-type activities			
Investment earnings	1,616,861	2,986,874	5,205,223
Transfers	(329,837)	247,710	13,410,749
Total business-type activities	<u>1,287,024</u>	<u>3,234,584</u>	<u>18,615,972</u>
Total primary government	<u>\$ 106,410,941</u>	<u>\$ 108,995,133</u>	<u>\$ 111,379,721</u>
Change in Net Assets			
Governmental activities	\$ 41,676,929	\$ 24,877,795	\$ 8,970,199
Business-type activities	4,655,166	12,074,850	28,197,641
Total primary government	<u>\$ 46,332,095</u>	<u>\$ 36,952,645</u>	<u>\$ 37,167,840</u>

City of Fairfield

**Governmental Activities Tax Revenues By Source
(accrual basis of accounting)
By Fiscal Year**

Table 3

Fiscal Year	Property Tax	Sales Tax	Other Tax	Total
2006	\$ 44,950,233	\$ 18,734,988	\$ 10,887,280	\$ 74,572,501
2007	49,110,181	18,777,868	11,846,398	79,734,447
2008	51,191,170	17,480,626	10,831,669	79,503,465

Source: City of Fairfield

City of Fairfield**Fund Balances of Governmental Funds
(accrual basis of accounting)
By Fiscal Year****Table 4**

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund			
Reserved	\$ 1,467,233	\$ 258,376	\$ 1,525,856
Unreserved	<u>15,469,384</u>	<u>19,824,871</u>	<u>21,104,524</u>
Total general fund	<u>\$ 16,936,617</u>	<u>\$ 20,083,247</u>	<u>\$ 22,630,380</u>
 All other governmental funds			
Reserved	\$ 186,690,278	\$ 184,003,509	\$ 222,221,298
Unreserved, reported in:			
Debt Service Funds	(79,577,232)	(77,280,879)	(85,277,676)
Capital Project Funds	<u>-</u>	<u>-</u>	<u>(462,363)</u>
Total all other governmental funds	<u>\$ 107,113,046</u>	<u>\$ 106,722,630</u>	<u>\$ 136,481,259</u>

Source: City of Fairfield

City of Fairfield

Changes in Fund Balances of Governmental Funds (accrual basis of accounting) By Fiscal Year

Table 5

	2006	2007	2008
Revenues			
Taxes	\$74,826,555	\$78,448,932	\$ 78,917,007
Development fees	8,726,452	4,784,023	2,061,537
Special assessments levied	7,178,654	6,542,903	6,697,890
Licenses, permits and fines	4,337,521	4,736,691	2,115,660
Developers' contribution	596,246	149,287	46,747
Intergovernmental	28,963,506	28,712,150	27,489,629
Charges for services	3,614,617	3,621,960	3,620,961
Investment income	5,126,605	9,168,006	12,054,059
Miscellaneous	7,095,168	6,531,524	5,288,499
Total revenues	<u>140,465,324</u>	<u>142,695,476</u>	<u>138,291,989</u>
Expenditures			
Administrative	984,681	604,085	598,418
Human Resources	666,759	766,469	735,649
Finance	2,570,159	2,585,752	2,784,267
Police	24,300,194	27,644,076	32,071,347
Fire	12,027,026	13,574,118	14,743,482
Public Works	13,231,659	14,096,477	13,554,249
Community Services	7,362,916	7,501,782	8,576,822
Community development	8,197,756	9,258,036	8,872,795
Redevelopment agency	4,808,222	6,241,665	5,211,785
Non-departmental	939,284	1,533,710	1,515,801
Intergovernmental	8,171,254	6,650,439	7,525,381
Capital outlay	22,512,036	31,921,255	26,170,841
Debt service:			
Principal	7,891,213	8,044,227	10,394,656
Interest	12,630,065	12,940,688	12,003,039
Fiscal agent fees	770,119	680,110	996,766
Special assessment payments	373,911	376,252	380,451
Issuance costs			686,566
Total expenditures	<u>127,437,254</u>	<u>144,419,141</u>	<u>146,822,315</u>
Excess of revenues over (under) expenditures	<u>13,028,070</u>	<u>(1,723,665)</u>	<u>(8,530,326)</u>
Other financing sources (uses)			
Issuance of debt	30,000	30,000	33,635,000
Bond premium	46,326		156,881
Bond discount			(264,210)
Transfers in	21,661,833	28,720,620	35,769,992
Transfers out	(17,325,978)	(24,270,741)	(28,461,575)
Total other financing sources (uses)	<u>4,412,181</u>	<u>4,479,879</u>	<u>40,836,088</u>
Net change in fund balances	<u>\$ 8,615,889</u>	<u>\$ 2,756,214</u>	<u>\$ 32,305,762</u>
Debt service as a percentage of noncapital expenditures	<u>19.56%</u>	<u>18.65%</u>	<u>18.56%</u>

Source: City of Fairfield

City of Fairfield

**Assessed Value and Estimated Actual Value of Taxable Property
(accrual basis of accounting)
By Fiscal Year**

Table 6

Fiscal Year	Real Property		Personal Property	Less:	Total Taxable	Direct
	Residential Property	Commercial Property	Unsecured Property	Tax Exempt Real Property	Assessed Value	Tax Rate
2006	8,170,187,302	2,254,086,090	873,579,376	445,841,298	10,852,011,470	0.00670
2007	8,944,300,988	2,587,193,830	441,933,965	486,465,618	11,486,963,165	0.00580
2008	8,439,577,899	2,768,639,825	469,363,269	495,292,495	11,182,288,498	0.00510

Source: Solano County Assessor Office
and the City of Fairfield

City of Fairfield

Property Tax Rates Direct and Overlapping Governments

Table 7

Fiscal Year	Overlapping Rates														Total Direct & Overlapping Rates
	City			County			School District								
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts					
2006	-	0.006700	0.006700	1.000000	-	1.000000	-	0.045967	0.045967	0.020000	0.020000	1.072667			
2007	-	0.005800	0.005800	1.000000	-	1.000000	-	0.041621	0.041621	0.020000	0.020000	1.067421			
2008	-	0.005100	0.005100	1.000000	-	1.000000	-	0.038570	0.038570	0.020000	0.020000	1.063670			

Source: Solano County Assessor's Office

City of Fairfield

Principal Property Taxpayers

June 30, 2008

Table 8

Taxpayer	2008			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Anheuser-Busch	\$ 267,097,516	1	2.39%	\$ 300,099,258	1	2.77%
Solano Mall LLC	96,655,219	2	0.86%	92,553,418	2	0.85%
Arcor Pet Packaging USA Inc.	50,243,538	3	0.45%	49,778,756	3	0.46%
RO Funding Company LLC	47,421,156	4	0.42%	45,736,546	4	0.42%
SBC Services	31,983,570	5	0.29%	43,006,113	5	0.40%
General Electric Capital Corporation	30,124,001	6	0.27%	-	-	-
Copart Inc.	26,844,914	7	0.24%	22,327,871	9	0.21%
Fairfield Fee-Land LLC	25,756,071	8	0.23%	-	-	-
Meyer Cookware Industries, Inc.	24,737,482	9	0.22%	-	-	-
Kaiser Foundation Hospitals	23,875,799	10	0.21%	-	-	-
Bridgeport Ranch Limited Partnership	-	-	-	30,225,000	6	0.28%
Giltard Chocolate Company	-	-	-	28,450,710	7	0.26%
Fairfield Property Group LLC	-	-	-	22,644,288	8	0.21%
Gilroy Energy Center LLC	-	-	-	25,355,768	10	0.23%
Total Principle Taxpayers Assessed Value	624,739,266		5.59%	660,177,728		6.08%
Total City Assessed Value	\$ 11,182,288,498		100.00%	\$ 10,852,011,470		100.00%

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

City of Fairfield

Property Tax Levies and Collections By Fiscal Year

Table 9

Ended December 31	Levy for Fiscal Year	Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 42,081,331	\$ 42,081,331	100%	-	\$ 42,081,331	100%
2007	45,622,353	45,622,353	100%	-	45,622,353	100%
2008	48,972,355	48,972,355	100%	-	48,972,355	100%

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, city, school and special district operating expenses. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965-66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

City of Fairfield

**Ratios of Outstanding Debt by Type
By Fiscal Year**

Table 10

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Pension Obligation Bonds	Special Assmt District Bonds	Open Space Revenue Bonds	Community Facilities District
2006	\$ 12,815,698	\$ 41,745,000	\$ 8,240,000	\$ 750,000	\$ -
2007	12,393,808	40,945,000	6,960,000	680,000	-
2008	11,971,918	36,345,000	6,000,000	610,000	33,605,000

Source: City of Fairfield

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Fairfield

**Ratios of Outstanding Debt by Type
By Fiscal Year**

Table 10 (cont'd)

Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
Redevelopment Revenue Bonds	Long Term Notes Payable	Utility- Water Bonds	Recreational Revenue Bonds			
\$ 77,460,000	\$ 8,292,029	\$ 52,205,000	\$ 13,050,000	\$214,557,727	9.91%	\$ 2,043
73,940,000	6,484,249	48,560,000	12,435,000	202,398,057	7.41%	1,863
70,275,000	5,968,335	129,276,697	11,795,000	305,846,950	11.05%	2,791

City of Fairfield

**Demographic and Economic Statistics
By Fiscal Year**

Table 15

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2006	105,026	\$ 2,165,321,042	\$ 20,617	31.0	28,384	5.6%
2007	108,649	2,731,544,509	25,141	32.5	28,218	8.3%
2008	109,591	2,767,939,887	25,257	33.1	28,269	8.0%

Source: City of Fairfield

Fairfield-Suisun School District
U.S. Census Bureau

City of Fairfield
Principal Employers
Current Year

Table 16

<u>Employer</u>	<u>2008</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Travis Air Force Base	14,353	1	30%	14,904	1	31%
County of Solano	3,000	2	6%	3,000	2	6%
Fairfield-Suisun Unified School District	2,120	3	4%	2,300	3	5%
Northbay Medical Center	1,119	4	2%	1,301	4	3%
Solano Community College	650	5	1%	650	6	1%
City of Fairfield	606	6	1%	650	5	1%
Jelly Belly Candy Co.	480	7	1%	400	9	1%
Anheuser-Busch Brewery	420	8	1%	465	7	1%
Sutter Regional Medical Foundation	400	9	1%			
Westamerica Bancorporation	360	10	1%	450	8	1%
Macy's				320	10	1%

Source: City of Fairfield

City of Fairfield

**Full-time Equivalent City Government Employees by Function
As of June 30**

Table 17

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Function</u>			
Administrative	11	12	11
Human Resources	11	11	10
Finance	46	45	45
Police	213	218	215
Fire	70	70	68
Public Works	115	116	106
Community development	32	32	29
Community services	51	52	40
Water Utility	58	60	60
Transportation	14	14	14
Golf Courses	1	1	1
Housing program	10	10	7
Total	<u>632</u>	<u>641</u>	<u>606</u>

Source: City of Fairfield

City of Fairfield
Operating Indicators by Function
By Fiscal Year

Table 18

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police			
Physical arrests	3,993	4,621	4,351
Parking citations	2,763	3,086	2,574
Fire			
Number of emergency calls	8,117	8,059	8,126
Inspections	1,189	842	1,362
Public Works:			
Street resurfacing (miles)	12	18	24
Community Services			
Number of recreation classes	78	74	82
Number of facility rentals	8	19	19
Community Development			
Number of new business	1,255	1,640	1,137
New commercial square footage developed	381,384	420,533	234,679
Water			
New connections	710	2,065	223
Average daily consumption (millions of gallons)	20.7	20.9	21.5
Transportation			
Total miles covered by bus system	1,286,715	1,802,636	1,844,101
Total passengers	809,837	868,238	999,208
Golf Courses			
Golf rounds played	113,199	119,025	118,102

Sources: Various City Departments

City of Fairfield

**Capital Assets Statistics by Function
By Fiscal Year**

Table 19

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Function</u>			
Police			
Stations	1	1	1
Patrol Cars	95	116	121
Fire			
Fire stations	5	5	5
Public Works			
Streets (miles)	271	277	282
Streetlights	12,000	12,068	12,173
Traffic signals	80	84	
Community Services			
Parks acreage	233	233	233
Parks	21	21	21
Tennis courts	8	8	8
Community centers	3	3	3
Water			
Water mains (miles)	318	320	329
Fire hydrants	2,465	2,489	2,759
Maximum daily capacity (millions of gallons)	38.6	38.6	38.6
Transportation			
Number of buses	56	62	64
Golf Courses			
Number of city courses	2	2	2

Sources: Various City departments.

Note: No capital asset indicators are available for the
general government function (administrative, human
resources, finance)



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California

Compliance

We have audited the compliance of the City of Fairfield, California (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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The Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

This report is intended for the information of the City Council, management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Capricci & Larson

Oakland, California
November 14, 2008

CITY OF FAIRFIELD**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development (HUD)</u>			
Section 8 Housing Choice Vouchers	14.871	N/A	\$7,090,851
Community Development Block Grant	14.218	N/A	837,981
Passed through the California Department of Housing and Community Development			
HOME Funds	14.239	04-HOME-0721	6,091
	14.239	06-HOME-2365	684,610
			<u>8,619,533</u>
<u>U.S. Department of Homeland Security-Federal Emergency Management Agency</u>			
Passed through the California Governor's Office of Emergency Services			
FEMA	97.036	FEMA-1628-DR-CA	<u>39,632</u>
<u>U.S. Department of Transportation</u>			
Federal Transit Administration	20.507	CA-90-0598	746
	20.507	CA-90-4551	2,196,190
	20.507	CA-03-0467	11,418
	20.507	CA-90-0467	7,926
	20.507	CA-90-0298	40,625
Passed through the California Department of Transportation Surface Transportation Program	20.205	STPL-5132 (028)	400,000
Passed through the California Office of Traffic Safety Seat Belt Compliance Campaign	20.602	CT08137	10,000
Selective Traffic Enforcement Program	20.600	PT0827	60,571
			<u>2,727,476</u>
<u>U. S. Department of Education</u>			
Passed through the California Department of Education Adult Day Care Food Program (1)	10.558	48-5033-1 N	<u>3,246</u>
<u>U.S. Department of Justice</u>			
Passed through the Office of Community Oriented Policing Services			
Technology Grant	16.710	2002-CK-WX-0035	329,000
Technology Grant	16.710	2006-CK-WX-0287	21,410
			<u>350,410</u>
Total Federal Assistance			<u>\$11,740,297</u>

* Major Program as defined by OMB Circular A-133

Note (1) - This is an ongoing grant with no specific award amount.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California

We have audited the financial statements of the City of Fairfield (the City) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted no certain matters that required to be reported to management of the City.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Oakland, California
November 14, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Fairfield (City).
2. No reportable conditions relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City are reported in Part C of this Schedule below.
7. The programs tested as major programs include:

Section 8 Housing Choice Vouchers	\$7,090,851	
Total	<u>\$7,090,851</u>	<u>60.40%</u>

The auditee meets the criteria for a low-risk auditee. Consequently, the major programs tested were required to be in the aggregate at least 25% of total federal awards expended.

8. The threshold for distinguishing Types A and B programs was \$352,209.
9. The City was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - 2007

There were no findings for the fiscal year ended June 30, 2007